

UAC INSURANCE MUTUAL

REVISED

Board of Trustees Meeting

Thursday, March 30, 2000, 10:30 a.m.

Utah Association of Counties Building

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10:30	Call to Order	Gary Herbert
	Review of Board Members Absent	Gary Herbert
	Approval of February Minutes	Gary Herbert
	Amendments to Administration Agreement	Brent Gardner
	Policy on Ride-a-Longs in Public Safety Vehicles	Brett Rich
	Daggett County Membership Proposal	Brett Rich
	Director's Report	Brett Rich
	Properties Acquired at Tax Sales	
	Building Authority Ownership	
	Debenture Repayment Authorization	
	Exceptions to Intentional Acts Exclusion for Law Enforcement	Brett Rich
	Interest Bearing Sweep Account (First Security Bank)	Brett Rich
	Broker's Report	Rich Stokluska
	Loss Control Manager's Report	Shawn Guzman
12:00	Lunch Break	
	Member Property Appraisals	Brett Rich
	Set Agenda for April Membership Meeting	Trustees
	Tenant User Liability Insurance Program (TULIP)	Brett Rich
	Summary of Financial Statements	Brett Rich
	Set Date and Time for Closed Meeting to Discuss Pending or Reasonably Imminent Litigation	
	Action on Litigation Matters	Kent Sundberg
	Set Date and Time for Closed Meeting to Discuss the Character, Professional Competence, or Physical or Mental Health of an Individual	
2:30	Adjourn	

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UACIM BOARD OF TRUSTEES MEETING MINUTES

March 30, 2000, 10:30 a.m.
Utah Association of Counties Building

BOARD MEMBERS PRESENT

Gary Herbert, *President*, Utah County Commissioner
Dan McConkie, *Vice President*, Davis County Commissioner
Sarah Ann Skanchy, *Secretary-Treasurer*, Cache County Council Member
Ken Bischoff, Weber County Commissioner
Chad Johnson, Beaver County Commissioner
Ty Lewis, San Juan County Commissioner
Royal Norman, Box Elder County Commissioner
Tex Olsen, Sevier County Commissioner
Kent Petersen, Emery County Commissioner
Ed Phillips, Millard County Sheriff
Kent Sundberg, Utah County Deputy Attorney

OTHERS PRESENT

Brent Gardner, UAC Executive Director
Brett Rich, Director, UACIM
Shawn Guzman, UACIM Loss Control Manager
Sonya White, UACIM Administrative Assistant
Rich Stokluska, GRMS Account Executive

CALL to ORDER

Until the arrival of Gary Herbert or Dan McConkie, Sarah Ann Skanchy called the meeting to order and welcomed those in attendance.

APPROVAL of MINUTES

The minutes of the Board of Trustees meeting held February 25, 2000 were previously sent to the Board Members for review. Chad Johnson made a motion to approve the minutes as written. Ed Phillips seconded the motion, which passed unanimously.

AMENDMENTS to ADMINISTRATIVE AGREEMENT

Brent Gardner reviewed a lease agreement drafted by Bill Peters between the Utah Association of Counties and the Utah Association of Counties Insurance Mutual. A copy of the draft was previously sent to Gary Herbert, Tex Olsen, Sarah Ann Skanchy and Kent Sundberg (those who have been involved in meetings relating to this agreement) for review. The Board understood that Bill would be revising the Administrative Agreement instead of drafting a lease agreement that contains standard language. The Board members who reviewed the draft were concerned with the transfer of equity only after the 15-year payoff of the bonds. The Board directed Kent and Brett Rich to review the Administrative Agreement and the draft prepared by Bill. The Board directed Brent to relay the Board's concerns to Bill and have a revised draft lease or administrative agreement to be reviewed at the next meeting.

POLICY on RIDE-a-LONGS in PUBLIC SAFETY VEHICLES

After researching the issue of ride-a-longs, Brett Rich recommended to the Board that instead of drafting a resolution/joint policy statement, as directed by the Board at the February meeting, that a letter be sent to all member counties 1) explaining the State of Utah's Job Shadowing Program and recommend that if a member is participating that it is sponsored by their local school district and 2) outline recommended parameters for ride-a-longs in public safety vehicles. Brett spoke to several county sheriffs who support civilian ride-a-longs—they feel it gives their office a better public appreciation. The parameters recommended are that an immediate supervisor must approve the person allowed to ride, the person must sign a hold-harmless agreement and a policy put in place that ride-a-longs will be dropped off safely prior to responding to a dangerous/pursuit call. The Board agreed and directed Brett to send a letter to each member county.

DAGGETT COUNTY MEMBERSHIP PROPOSAL

Brett Rich explained that he received the cost of reinsurance for Daggett County this morning. He was hoping to have a premium amount for the Board to approve today so that a membership proposal could be presented to Daggett County. The Board authorized Brett to use the adopted contribution formula to calculate the premium and present a proposal to Daggett County.

DIRECTOR'S REPORT

Pursuant to the Board's request, Brett Rich researched the potential exposure of property acquired at tax sales. In speaking with the members they explained most property retained is vacant land and that it is rare if a county reaches the point where title transfers to the county and most properties are claimed or purchased at the tax sale. If a county does end up with a property title it should be reported to the Mutual. The current coverage agreement provides coverage for unnamed locations up to \$250,000.

Pursuant to the Board's concern at the last meeting, Brett researched the potential exposure of building authorities created by the counties according to the Utah Code. Counties with buildings owned by municipal building authorities are leased back to the counties by written agreement, thus providing an insurable interest. Also, in Brett's discussions with members, it appears that most of the building authorities created by the members would be eligible for coverage by the Mutual in accordance with the joint policy statement on insuring special districts and other entities.

Brett met with Jan Furner of the Utah Association of Special Districts in an effort to solve the problem the Mutual is having with special districts. The Mutual wants to protect the members who have officials that are board members of special districts. So far, Brett has found no additional insured provision on special districts policies for counties. Brett is scheduled to meet with Steve Flitton and John Farrell of Utah Local Governments Trust to see how the Mutual can become more involved in protecting the counties in this regard.

Brett reported that the Insurance Department has authorized the repayment of the debentures in a letter dated March 14. Checks will be issued to the counties holding the debentures for the remaining principal amount due and interest accrued through February. After PTIF announces the interest rate for March, a second check will be issued to pay the remaining interest. At that time all amounts related to the subordinated debentures will have been paid in full.

EXCEPTIONS to INTENTIONAL ACTS EXCLUSION for LAW ENFORCEMENT

Brett Rich explained that the current coverage agreement provides coverage for intentional acts of law enforcement officers for the protection of the public for county owned property but third-party property is presently excluded. Coverage is provided for third-party bodily injury general liability claims but auto liability is presently excluded. The Law Enforcement Committee met this week and concluded that the exception to the property exclusion is appropriate and that the Mutual should consider an exception for property damage general liability and auto liability claims but with a higher deductible. The Board directed Brett to inquire about this coverage from the reinsurers and report back to the Law Enforcement Committee and the Board.

INTEREST BEARING SWEEP ACCOUNT (FIRST SECURITY BANK)

Brett Rich explained that Sonya White has researched the option of opening an interest bearing account through First Security Bank for funds transferred to pay claims and Mutual expenses. Pursuant to a repurchase agreement, funds are backed by First Security Bank. First Security offers two separate accounts. The first is a domestic account that is backed by the securities purchased. The second is an international fund with a slightly higher rate of interest, but without the backing of the purchased securities. Brett Rich recommended the domestic account. Larson and Company informally reviewed the options and recommends that the Mutual open either one of these options, or a similar account. Ty Lewis made a motion approving the initiation of the domestic interest bearing account through First Security Bank. Tex Olsen seconded the motion, which passed with Sarah Ann Skanchy abstaining.

BROKER'S REPORT

Rich Stokluska reviewed a recent report stating A.M. Best Improves Reliance's Under Review Implications (see attachment #1). A.M. Best Company improved the status of Reliance Insurance Group's A- (Excellent) rating to under review with developing implications from under review with negative implications.

LOSS CONTROL MANAGERS REPORT

Shawn Guzman reviewed minor changes made to the 2000 Risk Management Program (see attachment #2). Shawn reported on the activities of the Loss Control Department which included efforts in the area of Children Justice Center training, planning and coordination for the third annual personnel workshop and the date announced for the contract award for jail medical coverage which is April 25.

Shawn explained that some counties are in violation of the law when hiring air ambulance transport and will endeavor to train and educate the counties search and rescue departments. The Board directed Brent Gardner/Utah Association of Counties to research the possibility of changing Federal Statute for county immunity in this area.

Shawn reported that the Utah Local Governments Trust recruits counties to attend their planning and zoning training. Counties have unique issues in this area and the Mutual should start taking a proactive role in training the members in planning and zoning. The Board directed Shawn to invite Gene Moser to the next Board meeting in an effort to coordinate planning and zoning training with the Mutual.

MEMBER PROPERTY APPRAISALS

Brett Rich reported that the issue of appraising county owned properties was brought before the Assessor's Association a few years ago. Many of the Assessor's did complete this task but as property schedules are being submitted each year for renewal, some properties are undervalued and have incorrect addresses and information. Brett recommended to the Board that an independent appraisal company be hired to appraise all county owned buildings over a three-year period. Most companies will provide the Mutual with a written replacement cost appraisal, picture and average contents value. Sarah Ann Skanchy made a motion for members of the Board to meet with the Assessor's Association at their April Departmental Session to ask that they again conduct an extensive appraisal of the county buildings and update the values each year on the property schedules. Kent Petersen seconded the motion, which passed unanimously.

SET AGENDA for APRIL MEMBERSHIP MEETING

The agenda for the UACIM Membership Dinner Meeting, scheduled for April 12, was set as follows: Welcome-Gary Herbert, Approval of Minutes-Gary Herbert, Annual Statement-Dan McConkie, 2000 Budget-Sarah Ann Skanchy, Claims Experience-Brett Rich, Payment of Debentures-Ty Lewis.

TENANT USER LIABILITY INSURANCE PROGRAM (TULIP)

Brett Rich explained that the Mutual has offered the TULIP program for use by the members since October 1995. The quality of service and coverage continues to diminish each year. Since the inception of this program there have been three claims filed by third-party users and all three claims have been denied. There are only seven counties that have used the program and only two use it frequently. Through the broker, the company continues to change the rating guidelines without the broker notifying the Mutual, which has caused problems with the counties. Many counties have complained that they are losing revenue because users cannot afford the insurance to rent county facilities. Because of these problems and many others, Brett recommended that the Board discontinue this program and recommend that the counties obtain certificates from users. Tex Olsen made a motion to discontinue the tenant user liability insurance program and directed Brett Rich to send a letter to the members announcing the discontinuation and recommend that the counties require certificates naming the county as an additional insured from users of county facilities. Kent Petersen seconded the motion, which passed unanimously.

SUMMARY of FINANCIAL STATEMENTS

Brett Rich reviewed the January and February Financial Statements with the Board. The admitted assets show a decrease of \$62,342 from January to February. Total surplus increased \$98,087 from January to February for a total of \$4,043,615. Net income has increased \$53,697 from January to February for a total of \$107,711. The cash and short-term investments have increased over \$2 million from last year for a total of \$9,779,626 on the February statement. The non-admitted assets decreased by \$44,390 from January to February due to those payments made at the first of the year.

Each Board member is required to receive a copy of the Analysis of Loss and Loss Adjustment Expense Reserves completed by Glenn Taylor of Taylor-Walker & Associates. The actuary found that the reserves shown in the Mutual's 1999 Annual Statement did not result in any exceptional values for those NAIC IRIS tests he reviewed. Brett noted that the test for rate of return on investments was low and he explained that the low ratio resulted from the \$300,000 paid on the debentures last year.

SET DATE and TIME for CLOSED MEETING

Sarah Ann Skanchy made a motion to set the date and time for a closed meeting to begin at 1:50 p.m. on March 30, 2000, to discuss pending or reasonably imminent litigation. Royal Norman seconded the motion, which passed unanimously.

Kent Petersen made a motion to conclude the closed meeting at 2:10 p.m. on March 30, 2000. Sarah Ann Skanchy seconded the motion, which passed unanimously.

ACTION on LITIGATION MATTERS

Kent Sundberg made a motion authorizing an offer of judgment in the amount of \$60,000, plus reasonable expenses, on claim number 801WEB998639. Tex Olsen seconded the motion, which passed unanimously.

Kent Sundberg made a motion authorizing settlement of claim number 801WAT978235 in the amount of \$60,000, or up to the Self Insured Retention, whichever is less, subject to receiving a response to this offer from Great American. Sarah Ann Skanchy seconded the motion, which passed unanimously.

OTHER BUSINESS

Brett Rich requested that the Board approve an incentive for the insurance coordinators to return their completed renewal information at the training in April. Tex Olsen made a motion approving that a \$50 dinner gift certificate be awarded to those insurance coordinators that turn-in their completed renewal information to Brett Rich at the coordinators training in April. Kent Petersen seconded the motion, which passed unanimously.

The next meeting of the Board of Trustees will be held on Thursday, May 25, 2000 at 9:30 a.m. at the Utah Association of Counties building.

Approved on May 25, 2000


Sarah Ann Skanchy, *UACIM Secretary-Treasurer*
Cache County Council Member

LEASE AGREEMENT

for

5397 South Vine Street, Salt Lake City, Utah 84107

by and between

THE UTAH ASSOCIATION OF COUNTIES

as Landlord,

Utah Association of Counties Insurance Mutual

as Tenant.

Dated: March 23, 2000

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TABLE OF CONTENTS

Page

ARTICLE I. Operative Facts and Definitions

Section 1.1.	Date of Lease	1
Section 1.2.	Tenant	1
Section 1.3.	Premises	1
Section 1.4.	Term	1
Section 1.6.	Basic Monthly Rent	1
Section 1.7.	Lease Year	2

ARTICLE II. Premises

Section 2.1.	Lease of Premises	2
--------------	-------------------------	---

ARTICLE III. Term and Commencement Date

Section 3.1.	Length of Term	2
Section 3.2.	Commencement Date and Obligation to Pay Rent	2

ARTICLE IV. Base Monthly Rent

Section 4.1.	Basic Monthly Rent	2
--------------	--------------------------	---

ARTICLE V. Tenant's Responsibility for Operating Expenses and Additional Rent

Section 5.1.	Definitions	3
Section 5.2.	Statement of Operating Expenses and Estimated Operating Expenses	4
Section 5.3.	Payment of Additional Rent	4
Section 5.4.	Resolution of Disagreement	5
Section 5.5.	Limitation	5

ARTICLE VI. Use

Section 6.1.	Use of Premises.....	5
Section 6.2.	Prohibition of Certain Activities or Uses	6
Section 6.3.	Affirmative Obligations with Respect to Use	6
Section 6.4.	Suitability	7
Section 6.5.	Taxes	7

ARTICLE VII. Utilities and Service

Section 7.1.	Obligations of Landlord	7
Section 7.2	Tenant's Obligations	8
Section 7.3.	Additional Limitations	8
Section 7.4.	Limitation on Landlord's Liability	9

ARTICLE VIII. Maintenance, Repairs, Alterations and Access

Section 8.1.	Maintenance and Repairs by Landlord.....	10
Section 8.2.	Maintenance and Repairs by Tenant	10
Section 8.3.	Alterations	10
Section 8.4	Landlord's Access to Leased Premises	11

ARTICLES IX. Liens

Article XVI	Liens	12
-------------	-------------	----

ARTICLE X. Assignment

Section 10.1	Assignment Prohibited	12
Section 10.2	Consent Required	13
Section 10.3	Termination Upon Proposed Assignment	13
Section 10.4	Landlord's Right in Event of Assignment.....	13

ARTICLE XI. Indemnity

Section 11.1.	Indemnification by Tenant	14
Section 11.2.	Release of Landlord.....	14
Section 11.3.	Notice	14
Section 11.4.	Litigation	14

ARTICLE XII. Insurance

Section 12.1.	Coverage	15
Section 12.2.	Insurance Policies	15
Section 12.3.	Subrogation.....	15
Section 12.4.	Lender.....	16

ARTICLE XIII. Damage or Destruction

Section 13.1.	Landlord's Obligations.....	16
Section 13.2.	Tenant's Obligation.....	16

ARTICLE XIV. Condemnation

Section 14.1.	Total Condemnation	17
Section 14.2.	Partial Condemnation	17
Section 14.3	Landlord's Option to Terminate	17
Section 14.4	Award	17
Section 14.5	Definition.....	17

ARTICLE XV. Landlord's Right to Cure

Article XV	Landlord's Right to Cure.....	17
------------	-------------------------------	----

ARTICLE XVI. Subordination, Amendment and Attornment

Section 16.1.	Subordination	18
Section 16.2.	Amendment	19
Section 16.3	Attornment	19

ARTICLE XVII. Default, Remedies, Abandonment, Past Sums Due, and Penalty

Section 17.1.	Default by Tenant.....	21
Section 17.2.	Remedies	21
Section 17.3.	Past Due Sums; Penalty.....	22

ARTICLE XVIII. Security Agreement

Article XVIII	Security Agreement.....	22
---------------	-------------------------	----

ARTICLE XIX. Provisions Applicable at Termination of Lease

Section 19.1	Surrender of Premises.....	23
Section 19.2	Repair of Damage.....	23
Section 19.3	Holding Over	23

ARTICLE XX. Estoppel Certificate

Section 20.1.	Landlord's Right to Estoppel Certificate.....	24
Section 20.2.	Effect of Failure to Provide Estoppel Certificates.....	24

ARTICLE XXI. Common Areas

Section 21.1.	Definition of Common Areas.....	24
Section 21.2	License to Use Common Areas.....	25
Section 21.3	Parking	25

ARTICLE XXII. Signs, Awnings and Canopies

Article XXII.	Signs, Awnings and Canopies.....	25
---------------	----------------------------------	----

ARTICLE XXIII. Landlord's Reserved Rights

Article XXIII.	Landlord's Reserved Rights	26
----------------	----------------------------------	----

ARTICLE XXIV. Rules and Regulations

Article XXIV.	Rules and Regulations	26
---------------	-----------------------------	----

ARTICLE XXV. Miscellaneous Provisions

Section 25.1.	No Partnership	27
Section 25.2.	Force Majeure	27
Section 25.3.	Notices	27
Section 25.4.	Captions; Attachments	27
Section 25.5.	Recording	27
Section 25.6.	Partial Invalidity	28
Section 25.7.	Broker's Commissions	28
Section 25.8.	Tenant Defined; Use of Pronouns	28
Section 25.9.	Provisions Binding, etc	28
Section 25.10.	Entire Agreement; Amendments; Effective Date; Restrictive Covenants	29
Section 25.11.	Recourse by Tenant	29
Section 25.12.	Choice of Law	29
Section 25.13.	Time of Essence	29
Section 25.14.	Waiver	29
Section 25.15.	Rights and Remedies	29
Section 25.16.	Authorization	30
Section 25.17.	Attorneys' Fees	30
Section 25.18.	Successors	30

ARTICLE XXVI.

Section 26.1	Purchase Conditions.....	30
Section 26.2	Determination of Interest.....	31
Section 26.3	Excluded Expenses.....	31

ARTICLE XXVII. Buy and Sell Terms After Purchase

Section 27.1.	Terms.....	31
SIGNATURES		33
EXHIBIT "A"		34

LEASE AGREEMENT
for
Utah Association of Counties
Insurance Mutual

THIS LEASE AGREEMENT (this "Lease") is made and entered into between **UTAH ASSOCIATION OF COUNTIES**, a Utah not for profit corporation qualified to transact business in the State of Utah, as landlord ("Landlord"), with its address at 5397 South Vine Street, Murray, Utah 84107, and **Utah Association of Counties Insurance Mutual**, as tenant ("Tenant").

ARTICLE 1. OPERATIVE FACTS AND DEFINITIONS

This Lease is made with respect to the following facts and definitions:

Section 1.1. Date of Lease. The effective Date of this Lease is August 3, 1998.

Section 1.2. Tenant. The Tenant under this Lease is Utah Association of Counties Insurance Mutual with its address at 5397 South Vine Street, Salt Lake City, Utah 84107. The mailing address for Tenant (to be used for purposes of notices given hereunder through the United States mails), if different than the address set forth above, is 5397 South Vine Street, Salt Lake City, Utah 84107.

Section 1.3. Premises. The premises leased hereunder (the "Premises") means that portion of the building located at 5397 South Vine Street, Salt Lake City, Utah 84107 the "Building"), consisting of approximately the square feet of rentable area shown on Exhibit A attached hereto and made a part hereof ("Exhibit A"), located on the real property (the "property") described on Exhibit B attached hereto and made a part hereof ("Exhibit B"). The amount of square footage may vary from year to year based upon agreement between Landlord and Tenant.

Section 1.4. Term. The term of this Lease (the "Term") shall commence on the ____ day of _____, 2000, and end on _____.

Section 1.6. Determination of Annual Rent. The rental to be paid by UACIM to UAC shall be based upon the actual space occupied by UACIM as a prorata share of the total available square footage in the UAC building. Such rental amount shall include the following:

1. UACIM's share of the cost of annual debt service owed by UAC (which amount varies from year to year).
2. UACIM's prorata share of the operating and maintenance expenses incurred by UAC.
3. UACIM's prorata share of the reserves required to be maintained by UAC pursuant to its financial arrangements.

Section 1.7. Basic Monthly Rent. The "Basic Monthly Rent" means an amount equal to one-twelfth (1/12) of annual rent as determined under Section 1.6.

Section 1.8. Lease Year. "Lease Year" means a one-year period commencing the Actual Commencement Date, or an anniversary thereof, to and including the date immediately prior to the next succeeding anniversary of the Actual Commencement Date.

ARTICLE II. PREMISES

Section 2.1. Lease of Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises in accordance with the provisions set forth herein.

ARTICLE III. TERM; COMMENCEMENT DATE

Section 3.1. Length of Term. (a) The initial term of this Lease (the "Original Term") shall be for _____ months, plus the partial calendar month, if any, occurring after the Actual Commencement Date (as defined in Section 3.2 hereof) if the Actual Commencement Date occurs other than on the first day of a calendar month.

Section 3.2. Commencement Date; Obligation to Pay Rent. The Term of this Lease and Tenant's obligation to pay rents hereunder shall commence on the date (the "Actual Commencement Date") which was August 3, 1998.

ARTICLE IV. BASIC MONTHLY RENT.

Section 4.1. Basic Monthly Rent. Tenant agrees to pay to Landlord the Basic Monthly Rent at such place as Landlord may designate, without prior demand therefor, without offset or deduction and in advance, on the first day of each calendar month during the Original Term, commencing on the Actual Commencement Date. In the event the Actual Commencement Date occurs on a day other than the first day of a calendar month, then the Basic Monthly Rent shall be paid on the Actual Commencement

Date for the initial fractional calendar month, prorated on a per-diem basis (based upon a thirty (30) day month), and for the first full calendar month occurring after the Actual Commencement Date for which Basic Monthly Rent shall be due.

ARTICLE V. TENANT'S RESPONSIBILITY FOR OPERATING EXPENSES; ADDITIONAL RENT

Section 5.1. Definitions. The following words and phrases shall have the meanings set forth below:

(a) "Operating Year" means each calendar year ending during the Term and the calendar year ending immediately following the last day of the Term.

(b) "Operating Expenses" means all actual costs and expenses incurred by Landlord in connection with the ownership, operation, management and maintenance of the Building and the Property and the related improvements located thereon (the "Improvements"), including, but not limited to, all expenses incurred by Landlord as a result of Landlord's compliance with any and all of its obligations under the Lease (or under similar leases with other tenants). In explanation of the foregoing, and not in limitation thereof (and without imposing upon Landlord the obligation to provide any particular service), Operating Expenses shall include (except as set forth in Section 7.5 hereof) all fees, costs and expenses incurred by Landlord relating to the following: all real and personal property taxes and assessments, whether general or special, and any tax or assessment levied or charged in lieu thereof, whether assessed against Landlord and/or Tenant and whether 'collected from Landlord and/or Tenant; snow and trash removal; utilities; supplies; insurance; licenses, permits and inspections, legal and accounting services; services of independent contractors; fees and expenses incurred in property management; compensation, including, without limitation, such employment taxes and fringe benefits of all persons who perform regular and recurring duties connected with day-to-day operation, maintenance and repair of the Building, its equipment and the adjacent walks and landscaped areas, including, but not limited to, janitorial, scavenger, gardening, security, parking, elevator, painting, plumbing, electrical, carpentry, heating, ventilation, air-conditioning, window washing, signing and advertising, but excluding persons performing services not uniformly available to or performed for substantially all tenants of the Building; rental or a reasonable allowance for depreciation of personal property used in the maintenance, operation and repair of the Building; and a charge for Landlord's accounting and overhead pertaining to the Building and the Property.

(c) "Estimated Operating Expenses" means the projected amount of Operating Expenses for any given Operating Year as estimated by Landlord, in its sole discretion.

(d) "Tenant's Share of Operating Expenses" means the product obtained by multiplying the square footage occupied by the Tenant within the Landlord's office building against the annual cost per square foot of such operating expenses as annually determined by Landlord and as reported to Tenant. Tenant's share for any fractional calendar year shall be calculated by determining Tenant's share of operating expenses for the relevant calendar year and then prorating such amount.

(e) "Tenant's Estimated Share of Operating Expenses" means the product obtained by multiplying the square footage occupied by the Tenant within the Landlord's office building against the Landlord's best projected estimate of the annual costs per square foot of such operating costs taking into consideration the expenditures for costs during the previous year and such anticipated additional expenses identified by the Landlord.

Section 5.2. Statement of Operating Expenses and Estimated Operating Expenses.

(a) Landlord shall furnish Tenant with a written statement showing in reasonable detail the computation of Tenant's Share of Operating Expenses for such year and the amount by which such amount exceeds or is less than the amounts paid by Tenant during such year pursuant to Section 5.3(b) hereof.

(b) Landlord may also furnish Tenant at any time and from time to time, in Landlord's sole discretion, a written statement showing in reasonable detail the computation of Tenant's Estimated Share of Operating Expenses.

Section 5.3. Payment of Additional Rent. Tenant shall pay as additional rents ("Additional Rent") the following amounts at the times indicated:

(a) Within thirty (30) days after delivery of the written statement referred to in Section 5.2(a) hereof, Tenant shall pay to Landlord, without offset or deduction, the amount by which Tenant's Share of Operating Expenses, as specified in such written statement, exceeds the amount of Operating Expenses actually paid by Tenant for the year at issue. Payments by Tenant shall be made pursuant to this Section 5.3(a) notwithstanding that a statement pursuant to Section 5.2(a) is furnished to Tenant after the expiration of the Term.

(b) On and after the first day of the month next succeeding the Actual Commencement Date, with each payment of Basic Monthly Rent made pursuant to Article IV hereof, Tenant shall pay to Landlord, without offset or deduction, one-twelfth (1/12th) of Tenant's Estimated Share of Operating Expenses as specified in the most recent written statement delivered to Tenant from time to time pursuant to Section 5.2(b) hereof.

(c) Within ten (10) days of presentment of a statement therefor to Tenant, any amount payable by Tenant pursuant to the provisions of Sections 8.1(c), 8.3(b), 8.3(c) and 13.2 hereof.

(d) If the written statement for a given Operating Year delivered pursuant to Section 5.2(a) hereof indicates that the amount actually paid by Tenant pursuant to Section 5.3(b) hereof for any year exceeds Tenant's Share of Operating Expenses for that year, Landlord, at its election, may either (i) pay the amount of such excess to Tenant or (ii) apply such excess against any amount payable by Tenant under this Section 5.3.

(e) No failure by Landlord to require the payment of Additional Rent by Tenant for any period shall constitute a waiver of Landlord's right to collect such Additional Rent for such period or for any subsequent period.

Section 5.4. Resolution of Disagreement. Every statement given by Landlord pursuant to Section 5.2 hereof shall be conclusive and binding upon Tenant unless within fifteen (15) days after the receipt of such statement Tenant notifies Landlord that it disputes the correctness thereof, specifying the particular respects in which the statement is claimed to be incorrect. Pending the determination of such dispute by agreement between Landlord and Tenant, Tenant shall pay Additional Rent in accordance with Landlord's statement within thirty (30) days after receipt of such statement, and such payment shall be without prejudice to Tenant's position. If the dispute shall be determined in Tenant's favor, Landlord shall forthwith apply the amount of Tenant's overpayment of rents resulting from compliance with Landlord's statement, without interest being due thereon, in accordance with Section 5.3(d) hereof. Landlord agrees to grant reasonable access to Landlord's books and records to an independent certified public accountant retained by Tenant, at Tenant's sole cost and expense, for the purpose of verifying Operating Expenses incurred by Landlord.

Section 5.5. Limitation. Nothing contained in this Article V shall be construed so as to reduce the installments of Basic Monthly Rent payable below the amount otherwise payable under this Lease, and any credit to be given to Tenant pursuant to Section 5.3(d)(ii) or 5.4 hereof shall apply only to amounts due or to become due as Additional Rents.

ARTICLE VI. USE

Section 6.1. Use of Premises. Tenant shall not use or permit the Premises or any part thereof to be used for any purpose other than for general office purposes.

Section 6.2. Prohibition of Certain Activities or Uses.

(a) Tenant shall not do or permit anything to be done in the Building, on the Property or within Tenant's premises that may:

(i) Increase the existing rate for or violate the provisions of any insurance carried with respect to the Building or any of the contents thereof.

(ii) Commit or permit any waste of the Building or any of the improvements within the Building, including its common areas.

(iii) Create any public or private nuisance or disturb the quiet enjoyment of any other occupant of the Building.

(iv) Violate any present or future law, ordinance, regulation or requirement of any governmental authority or any restriction or covenant existing with respect to the Property including its common areas.

(v) Overload the floors or otherwise damage the structure of the Building.

(vi) Constitute an improper, immoral or objectionable purpose.

(vii) Increase the cost of electricity, natural gas or other utility service beyond that level permitted by Article VII below.

(viii) Subject Landlord or any other tenant to any liability to any third party.

(b) Tenant shall not bring into or permit the placing within the Premises of any machine, personal property or fixture heavier than customarily used in connection with general office purposes.

(c) Tenant shall not place any holes in any part of the Premises or place any exterior signs or interior drapes, blinds or similar items visible from outside the Premises (whether visible from inside or outside of the Building) without the prior written consent of Landlord.

Section 6.3. Affirmative Obligations With Respect to Use. At Tenant's sole cost and expense, it shall:

(a) Comply with all present and future governmental laws, ordinances, regulations and requirements.

(b) Comply with the requirements of any board of fire underwriters or other similar body relating to the Premises, excluding structural changes not caused by the Improvements or the nature of Tenant's occupancy of the Premises.

(c) Keep the Premises in a clean and orderly condition, free of objectionable noises, odors or nuisances.

The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether or not Landlord is a party thereto, that Tenant has violated any governmental law, ordinance, regulation or requirement shall be conclusive of that fact as between Landlord and Tenant. The foregoing sentence shall, under no circumstances, be construed so as to create or confer upon Tenant or any other person or entity any rights whatsoever with respect to Landlord.

Section 6.4. Suitability. Tenant acknowledges that except as expressly set forth in this Lease, neither Landlord nor any other person has made any representation or warranty with respect to the Premises, the Improvements or any other portion of the Building, nor has Landlord agreed to undertake any modification, alternation or improvement thereof. Specifically, but not in limitation of the foregoing, no representation has been made or relied upon concerning the suitability of the Premises, the Improvements or any other portion of the Building for the conduct of Tenant's business.

Section 6.5. Taxes. Notwithstanding Section 5.1(b) or any other provision hereof, Tenant shall have sole responsibility for and shall pay all taxes, assessments, charges and fees that may be imposed, assessed or levied during the Term by any governmental or public authority against or upon Tenant's use of the Premises or any personal property or fixture that Tenant may install or cause to be installed therein.

ARTICLE VII. UTILITIES AND SERVICE

Section 7.1. Obligations of Landlord. During the Term, Landlord agrees to cause to be furnished to the Premises during customary business hours and during generally recognized business days, in such manner as is customary in similar buildings in the same geographical areas, as determined by Landlord, the following utilities and services (the cost of which shall be included within Operating Expenses):

(a) Electricity, water, gas and sewer service.

(b) Standard telephone connection to the core space on the floor on which the Premises are located, but not including wiring from the core, telephone stations and equipment (it being expressly understood and agreed that Tenant shall be responsible for

the ordering and installation of telephone lines and equipment which pertain to the Premises).

(c) Heat and air conditioning to such extent and to such levels as, in Landlord's sole judgment, are reasonably required for the comfortable use and occupancy of the Premises, subject however to any limitations imposed by any government agency. The parties hereto agree and understand that such heat and air conditioning will be provided Monday through Friday from 7:00 a.m. to 6:00 p.m., and Saturday from 7:00 a.m. to 1:00 p.m. only. No heat or air conditioning shall be provided on holidays. At Tenant's request and upon Landlord's approval, which may be withheld for any reason whatsoever or for no reason, Landlord shall furnish heat and air conditioning services at other times as requested by Tenant; provided, that Tenant shall pay the entire cost thereof, as reasonably determined by Landlord, as Additional Rent, notwithstanding the fact that such services may also benefit portions of the Building other than the Premises.

(d) Snow and trash removal service.

(e) Landscaping and grounds-keeping service.

(f) Elevator Service

(g) Janitorial service five (5) days per week, holidays excluded; provided, that if Tenant's floor covering or other Improvements are other than standard for the Building, Tenant shall pay the additional cleaning costs attributable thereto as Additional Rent upon presentation of a written statement relating thereto by Landlord.

Section 7.2. Tenant's Obligations. Tenant shall arrange and pay for, prior to delinquency, the entire cost and expense of all wiring from the core of the floor on which the Premises are located, telephone stations, equipment and use charges and all other materials and services not expressly required to be provided and paid for by Landlord pursuant to the provisions hereof.

Section 7.3. Additional Limitations.

(a) Tenant will not, without the prior written consent of Landlord, (i) use any apparatus or device on the Premises that will in any way or to any extent cause consumption of electricity or water greater than is customary for general office tenants or (H) connect any apparatus or device with electrical current or water pipes, for the purpose of using electricity or water, except through existing electrical outlets or water pipes, as the case may be, in the Premises. Without limiting the generality of the foregoing, Landlord shall provide adequate heating and air conditioning based upon the following parameters within each and every walled-off area in the Premises: (i) such space will be occupied by not more than one (1) person for each 150 square feet of usable area; (ii)

lighting in such space will generate not more than two (2) watts per square foot of usable area; and (iii) the electricity consumed in such space will not exceed a load of one (1) watt per square foot of usable area. Within fifteen (15) days of entering and taking possession of the Premises, Tenant shall provide Landlord a list of heat generating or electrical equipment to be used by Tenant within the Premises. Further, notwithstanding anything herein to the contrary, Tenant shall give Landlord notice of any change of or addition to the equipment on the list provided to Landlord that may result in a material or substantial change in the use or consumption of any utility services contemplated by this Section 8.3(a). Notwithstanding anything in this Lease to the contrary, Landlord shall have no duty or obligation to deviate from Building standards to provide Tenant with any electrical, heating, ventilation, air conditioning or other services.

(b) If Tenant requires water or electricity in excess of that designed for the loads discussed in Section 8.3(a), Tenant shall first procure the written consent of Landlord for the use thereof, which consent Landlord may withhold for any reason or for no reason whatsoever, and Landlord may cause a water or electric meter, as the case may be, to be installed in or for the Premises in order to measure the amount of water and electricity consumed therein or in any portion thereof. The Tenant shall pay Landlord promptly upon demand therefor the cost of any such meters and of the installation, maintenance and repair thereof, and Tenant agrees to pay Landlord, as Additional Rent, for all such water and electricity consumed as shown by said meters at the rates charged for such services by Murray City or the local public utility furnishing the same, as the case may be, plus any additional expenses incurred in keeping account of the water and electricity so consumed.

(c) If heat generating machines or devices are used in the Premises that affect the temperature otherwise maintained by the air-conditioning system, Landlord reserves the right to install additional or supplementary air-conditioning units for the Premises, and Tenant shall pay, as Additional Rent, the entire cost of installing, operating, maintaining and repairing the same.

Section 7.4. Limitation on Landlord's Liability. Landlord shall not be liable for and Tenant shall not be entitled to terminate this Lease, to effectuate any abatement or reduction of rents or to collect any damages by reason of Landlord's failure to provide or furnish any of the utilities or services set forth in Section 8.1 hereof if such failure was occasioned by any strike or labor controversy, any act or default of Tenant, the inability of Landlord to obtain services from the company supplying the same or any cause beyond the reasonable control of Landlord; provided, however, that if such delay or service interruption continues for a period in excess of, in the case of essential services, ten (10) consecutive business days or, in the case of nonessential services, thirty (30) consecutive days, and such delay or interruption renders the Premises or any portion thereof untenable for Tenant's normal business operations, the rents shall thereafter be abated in proportion to the unusable portion of the Premises. In no event shall Landlord

be liable for loss or injury, whether to persons or property or otherwise, however arising, occurring in connection with or attributable to any failure to furnish such utilities or services unless any such failure is within the reasonable control of Landlord.

ARTICLE VIII. MAINTENANCE AND REPAIRS; ALTERATIONS; ACCESS

Section 8.1. Maintenance and Repairs by Landlord. Landlord shall maintain in good order, condition and repair the Building and the Improvements, excluding the Premises and those other portions of the Building leased, rented or otherwise occupied by persons not affiliated with Landlord. Landlord shall supply and pay for normal janitorial and cleaning services reasonably required to keep the Building and Improvements in a clean, sanitary and orderly condition, the cost and expense of which shall be included in Operating Expenses.

Section 8.2. Maintenance and Repairs by Tenant. Tenant, at Tenant's sole cost and expense and without prior demand being made therefor, shall maintain the Premises in good order, condition and repair, reasonable wear and tear excepted, including, without limitation, the following: electric light bulbs (but not including fluorescent lights used in fixtures originally installed in the Premises); the interior surfaces of the ceilings, walls and floors; all doors and windows; all plumbing pipes and fixtures, electrical wiring, switches and fixtures, and all equipment and other fixtures installed by or at the expense of Tenant. In the event that Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. In the event that Tenant fails to promptly commence such work and diligently prosecute it to completion, Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly upon demand therefor with interest thereon from the date of such expenditure at the greater of the prime rate then charged by First Security Bank of Utah, N.A. plus two percent (2%) or eighteen percent (18%) per annum (the "Interest Rate"). Landlord shall have no liability to Tenant for any damage, inconvenience or interference with the use of the Premises by Tenant as a result of performing any such work.

Section 8.3. Alterations. Tenant shall not make or cause to be made any alternations, additions or improvements to the Premises without first obtaining Landlord's written approval with respect to the work and the contractor that will perform the same, which approval may be withheld for any reason whatsoever or for no reason. Tenant shall present to Landlord written plans and specifications for such work and the proposed contract with the contractor at the time such approval is sought. In the event Landlord consents to the making of any alterations, additions or improvements to the Premises by Tenant, the same shall be made by Tenant at its sole cost and expense. All such

alterations, additions and improvements shall be performed (a) in a first-class and workmanlike manner and diligently prosecuted to completion so that, except as absolutely necessary during the course of such work, the Premises shall at all times be a complete operating unit; (b) strictly in accordance with all laws and ordinances relating thereto; and (c) in a manner that will not obstruct access to any portion of the Building. If Landlord authorizes persons requested by Tenant to perform such work, prior to the commencement of any such work, Tenant shall on request deliver to Landlord copies of all building permits and approvals required by law and certificates issued by applicable insurance companies evidencing that workmen's compensation, public liability and property damage insurance are in force and effect and are maintained by all contractors and subcontractors engaged by Tenant to perform such work; provided, that such insurance shall be in amounts, with companies and on forms that are satisfactory to Landlord, in its sole discretion. Each certificate representing such insurance shall provide that such insurance may not be canceled without fifteen (15) days' prior written notice to Landlord. Upon completion of the work, a supplemental certificate of occupancy will be delivered to Landlord evidencing that all required governmental approvals with respect to the work have been granted. Any alterations, additions or improvements to the Premises, including, but not limited to, wall covering, paneling and built-in cabinet work, but excepting movable furniture and equipment, shall at once become a part of the Property and shall be surrendered with the Premises unless Landlord otherwise elects at the end of the Term.

Section 8.4. Landlord's Access to Leased Premises. Landlord shall have the right to place, maintain and repair all utility equipment of any kind in, upon and under the Premises as may be necessary for the servicing of the Premises and any other portion of the Building. Landlord also shall have the right to enter the Premises at all times in order to inspect the same, to supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, to exhibit the Premises to prospective purchaser, mortgagees, tenants and lessees, and to make such repairs, additions, alterations or improvements as Landlord may deem desirable. Landlord shall be allowed to take all material upon the Premises that may be required therefor without the same constituting an actual or constructive eviction of Tenant in whole or in part, and the rents and other monetary obligations reserved herein shall in no wise abate while such work is in progress by reason of loss or interruption of Tenant's business or otherwise. Tenant hereby expressly waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises and any other loss occasioned thereby. Landlord shall at all times have and retain a key with which to unlock all the doors in, upon and about the Premises, excluding Tenant's vaults and safes. Landlord shall have the right to use any and all means that Landlord may deem proper to open such doors in an emergency in order to obtain entry to the Premises. Any entry to the Premises obtained by Landlord shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into or detainer of the Premises or an eviction of Tenant from the Premises or any portion thereof. During

the three (3) months prior to the expiration of this Lease or of any renewal term hereof, Landlord may place upon the Premises "To Let," "For Sale" or other similar signs, which Tenant shall not obstruct in any way and shall permit to remain thereon.

ARTICLE IX. LIENS

Tenant shall keep the Building and the Property free from any liens arising out of work performed on or materials furnished to the Premises or obligations incurred by Tenant and shall indemnify, hold harmless and defend Landlord from any liens and encumbrances arising out of any work performed or materials furnished by or at the direction of Tenant. In the event that within ten (10) days following the imposition of any such lien or encumbrance Tenant shall not cause such lien or encumbrance to be released of record by payment or posting of a proper bond, Landlord shall have, in addition to all other remedies provided herein and by law, the right, but not the obligation, to cause the same to be released by such means as Landlord shall deem proper, including payment of the claim giving rise to such lien or encumbrance. All such sums paid by Landlord and all expenses incurred by Landlord in connection therewith, including attorneys' fees and costs, shall be payable to Landlord by Tenant upon demand with interest thereon at the Interest Rate (as defined in Section 9.2 hereof). Landlord shall have the right at all times to post and keep posted on the Premises any notices permitted or required by law or that Landlord shall deem proper for the protection of Landlord and the Premises and any other party having an interest therein from mechanics and materialmen's liens. Tenant shall give to Landlord at least ten (10) business days' prior written notice of the expected date of commencement of any work relating to alterations or additions to the Premises.

ARTICLE X. ASSIGNMENT

Section 10.1. Assignment Prohibited. Tenant shall not transfer, assign, mortgage or hypothecate this Lease, in whole or in part, permit the use of the Premises by any person or persons other than Tenant, its employees, customers and others having lawful business with Tenant or sublet the Premises or any part thereof, without the prior written consent of Landlord in each and every instance, which consent may be withheld for any reason whatsoever or for no reason. Such restriction against assigning or subletting shall include any assignment or subletting by operation of law. Any transfer of this Lease from Tenant by merger, consolidation, transfer of assets or liquidation shall constitute an assignment for purposes of this Lease. Notwithstanding the foregoing, Tenant may assign or sublease the Premises or any part thereof to any affiliate of Tenant, but only upon the condition that Tenant shall in the case of such assignment or sublease remain liable for its obligations under this Lease and upon the further condition that Tenant give Landlord written notice of such assignment or sublease ten (10) days prior to the effective date of such assignment or sublease. Such notice shall contain such information as Landlord may reasonably require, including, but not limited to, the name

of the assignee or sublessee, as the case may be, the effective date of such assignment or sublease and a description of the area so assigned or sublet.

Section 10.2. Consent Required. Any assignment or subletting without Landlord's consent shall be void and shall constitute a default hereunder that, at the option of Landlord, shall result in the termination of this Lease or the exercise of Landlord's other remedies hereunder. Consent to any assignment or subletting shall not operate as a waiver of the necessity for consent to any subsequent assignment or subletting, and the terms of such consent shall be binding upon any person holding by, under or through Tenant.

Section 10.3. Termination Upon Proposed Assignment. If Tenant requests Landlord's consent to an assignment of this Lease or to a subletting of the whole or any part of the Premises, Tenant shall submit to Landlord the terms thereof, the name of the proposed assignee or subtenant, such information relating to the nature of its business and finances as Landlord may reasonably require, and the proposed effective date (the "Effective Date") of the proposed assignment or subletting (which Effective Date shall be neither less than sixty (60) days nor more than one hundred twenty (120) days following the date of Tenant's submission of such information). Upon receipt of such request and all such information from Tenant, Landlord shall have the right, exercisable by notice in writing within fourteen (14) days after such receipt, to terminate this Lease if the request is to assign this Lease or to sublet all of the Premises or, if the request is to sublet a portion of the Premises only, to terminate this Lease with respect to such portion, in each case as of the Effective Date. Such right to terminate may be exercised for any reason whatsoever or for no reason, in the sole discretion of Landlord, including, but not limited to, the right to retain any and all profits of such assignment or sublease. If Landlord shall exercise such termination right, Tenant shall surrender possession of the entire Premises or the portion thereof that is the subject of the right, as the case may be, on the Effective Date in accordance with the provisions of Article XX hereof. If this Lease shall be terminated as to a portion of the Premises only, the rents payable by Tenant hereunder shall be abated proportionately, commencing as of the Effective Date, based upon the percentage of the Premises as to which this Lease has been terminated.

Section 10.4. Landlord's Right in Event of Assignment. If this Lease is assigned or if the Premises or any portion thereof are sublet or occupied by any person other than Tenant, Landlord may collect rents and other charges from such assignee or other party, and apply the amount collected to the rents and other charges reserved hereunder, but such collection shall not constitute consent or waiver of the necessity of consent to such assignment, subletting or other transfer, nor shall such collection constitute the recognition of such assignee, subtenant or other party as tenant hereunder or a release of Tenant from the further performance of all of the covenants and obligations of Tenant herein contained. No consent by Landlord to any assignment, subletting or

other transfer by Tenant shall relieve Tenant of any obligation to be performed by Tenant hereunder, whether occurring before or after such consent, assignment, subletting or other transfer. In the event that Landlord shall consent to any assignment, subletting or other transfer hereunder, Tenant shall pay to Landlord reasonable fees incurred in connection with the processing of documents necessary to the giving of such consent, including, but not limited to, reasonable attorney's fees.

ARTICLE XI. INDEMNITY

Section 11.1. Indemnification by Tenant. Tenant shall indemnify Landlord and save it harmless from and against any loss, liability and expense (a) arising from any occurrence upon the Property or in the Building or from the occupancy or use by Tenant of the Property or the Building; (b) occasioned wholly or in part by any act or omission of Tenant, or any of its agents, contractors, employees, invitees or licensees; or (c) arising from any breach or default in the performance of any obligation on Tenant's part to be performed under the terms of this Lease, including all attorneys' fees, expenses and liabilities incurred in the defense of any claim or proceeding brought thereon. In case any proceeding is brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by counsel approved by Landlord.

Section 11.2. Release of Landlord. Landlord shall not be liable at anytime for any loss or damage suffered by Tenant that is caused by the acts or omissions of persons occupying or using the Building or the Property. Tenant, as a material part of the consideration hereof to Landlord, hereby expressly assumes all risk of damage to the Property and the Building, and releases Landlord, to the full extent permitted by law, from all claims of every kind resulting in any loss or damage and waives all claims in respect thereof against Landlord. Landlord shall not be liable for any loss incurred by Tenant, its employees, invitees or licensees, or any other person in or about the Property or the Building caused by or resulting from fire, steam, electricity, gas, water or rain that may leak or flow from or into any part of the Property or the Building, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, retention or detention ponds, reservoirs or tanks, wires, appliances, plumbing, air-conditioning or lighting fixtures of the same, whether the loss results from conditions arising upon the Property or in the Building, or from other sources.

Section 11.3. Notice. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Building or on the Property or of defects in the Building or in any fixtures or equipment located in the Building or on the Property.

Section 11.4. Litigation. In case Landlord, without fault on its part, shall be made a party to any litigation commenced by or against Tenant, Tenant shall protect and

hold Landlord harmless and shall pay all costs, expenses, and reasonable attorneys' fees incurred by Landlord in any such action.

ARTICLE XII. INSURANCE

Section 12.1. Coverage. Tenant shall, at all times during the Term of this Lease, and at its own cost and expense, procure and continue in force the following insurance coverage:

(a) Bodily Injury and Property Damage Liability Insurance with a combined single limit for bodily injury and property damage of not less than \$1,000,000.

(b) Fire and Extended Coverage Insurance, including vandalism and malicious mischief coverage, in an amount equal to the full replacement value of all fixtures, furniture and improvements installed by or at the expense of Tenant.

(c) Standard form workers' compensation or employer's liability insurance covering all Tenant's employees for injury or illness suffered in the course of or arising out of their employment, providing at least minimum workers' compensation benefits or employer's liability limits as required by law.

Section 12.2. Insurance Policies. The aforementioned minimum requirements for and limits of insurance policies shall in no event limit the liability of Tenant hereunder. The aforesaid insurance policies shall name Landlord as an additional insured. The insurance shall be with companies having a rating of not less than A X in Best's Insurance Guide." Tenant shall furnish from the insurance companies or cause the insurance companies to furnish to Landlord certificates of coverage on or before the Actual Commencement Date. No such policy shall be cancelable or subject to reduction of coverage or other modification or cancellation except after thirty (30) days' prior written notice to Landlord by insurer. All such policies shall be written as primary policies, not contributing with and not in excess of the coverage that Landlord may carry. Tenant shall, at least twenty (20) days prior to the expiration of such policies, furnish Landlord with renewals or binders. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure such insurance on Tenant's behalf and charge Tenant the premiums together with a twenty-five percent (25%) handling charge as Additional Rent. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by Tenant, provided such blanket policies expressly afford coverage to the Premises and to Tenant as required by this Lease.

Section 12.3. Subrogation. Tenant waives its right of subrogation against Landlord for any reason whatsoever, and any insurance policies herein required to be

procured by Tenant shall contain an express waiver of any right of subrogation by the insurer against Landlord.

Section 12.4. Lender. Any mortgage lender interested in any part of the Property, Building or Improvements may, at Landlord's option, be afforded coverage under any policy required to be secured by Tenant hereunder, by use of a mortgagee's endorsement to the policy concerned.

ARTICLE XIII. DAMAGE OR DESTRUCTION

Section 13.1. Landlord's Obligations. If the Premises shall be partially damaged by any casualty insured against under any insurance policy maintained by Landlord, Landlord shall, upon receipt of the insurance proceeds, repair the Premises. Until such repair is complete, the Basic Monthly Rent and Additional Rent shall be abated proportionately as to that portion of the Premises rendered untenable, if any. Notwithstanding the foregoing, if (a) by reason of such occurrence the Premises are rendered wholly untenable; (b) the Premises are damaged as a result of a risk that is not covered by insurance; (c) the Premises are damaged in whole or in part during the last six (6) months of the Term hereof or of any renewal hereof; or (d) the Premises or the Building (whether the Premises are damaged or not) is damaged to the extent of fifty percent (50%) or more of the then-monetary value thereof, Landlord may either elect to repair the damage or may cancel this Lease by notice of cancellation within sixty (60) days after such event. Thereupon this Lease shall expire, and Tenant shall vacate and surrender the Premises to Landlord. Tenant's liability for rents upon the termination of this Lease shall cease as of the date of the occurrence of such casualty. In the event Landlord elects to repair any such damage, any abatement of rents shall end on the fifth day after written notice is given by Landlord to Tenant that the Premises have been repaired. If the damage is caused by the negligence of Tenant or its employees, agents, invitees or concessionaires, there shall be no abatement of rents. Except for abatement of rents, if any, and unless incurred through the intentional and willful acts of Landlord, Tenant shall have no claim against Landlord for any damage suffered by reason of any such damage, destruction, repair or restoration, nor shall Tenant have the right to terminate this Lease as the result of any statutory provision now or hereafter in effect pertaining to the damage and destruction of the Premises or the Building, except as expressly provided herein. The proceeds of all insurance carried by Tenant on its property and fixtures shall be held in trust by Tenant for the purpose of the repair and replacement thereof.

Section 13.2. Tenant's Obligation. Landlord shall not be required to repair any injury or damage caused by fire or any other cause, or to make any restoration or replacement of any paneling, decoration, partition, railing, floor covering, office fixture or any other improvement or property installed in the Premises by Tenant or at the direct or indirect expense of Tenant. Unless this Lease is terminated by Landlord pursuant to

Section 14.1 hereof, Tenant shall be required to restore or replace such improvements and property in the event of injury or damage in at least a condition equal to that existing prior to the destruction or casualty.

ARTICLE XIV. CONDEMNATION

Section 14.1. Total Condemnation. If the whole of the Premises shall be acquired or taken by condemnation proceeding, this Lease shall cease and terminate as of the date of title vesting in such proceeding.

Section 14.2. Partial Condemnation. If any part of the Premises shall be acquired or taken by condemnation proceeding, and such partial taking shall render that portion not so taken unsuitable for the business of Tenant, then this Lease shall cease and terminate as of the date of title vesting in such proceeding.

Section 14.3. Landlord's Option to Terminate. If more than ten percent (1%) of the Building shall be acquired or taken by condemnation proceeding, Landlord may, by written notice to Tenant, terminate this Lease. If this Lease is terminated as provided in this Section 15.3, all rents shall be paid up to the day that possession is so taken by public authority, and Landlord shall make an equitable refund of any rents, including Basic Monthly Rental and Additional Rent, paid by Tenant in advance.

Section 14.4. Award. Tenant shall not be entitled to and expressly waives all claim to any condemnation award for any taking, whether whole or partial and whether for diminution in value of the leasehold or to the fee, and assigns to Landlord all rights of Tenant, if any, to receive such award, although Tenant shall have the right, to the extent that the same shall not reduce Landlord's award, to claim from the condemner, but not from Landlord, such compensation as may be recoverable by Tenant in its own right for damages to Tenant's business and fixtures.

Section 14.5. Definition. As used in this Article XV the term "condemnation proceeding" means any action or proceeding in which any interest in the Premises are taken for any public or quasi-public purpose by any lawful authority through exercise of the power of eminent domain or right of condemnation or by purchase or otherwise in lieu thereof.

ARTICLE XV. LANDLORD'S RIGHT TO CURE

In the event of any noncompliance hereunder by Landlord, Tenant shall, before exercising any right or remedy available to it, give Landlord written notice of such noncompliance. If prior to its giving such notice Tenant has been notified in writing (by way of Notice of Assignment of Rents and Leases, or otherwise) of the address of a lender that has furnished any of the financing referred to in Article XVII hereof,

concurrently with giving the aforesaid notice to Landlord, Tenant shall, by registered mail, transmit a copy thereof to such lender. For the thirty (30) days following the giving of the notice(s) required by the foregoing portion of this Article XVI (or such longer period of time as may be reasonably required to cure a matter that, due to its nature, cannot reasonably be rectified within thirty (30) days), Landlord shall have the right to cure the noncompliance involved. If Landlord has failed to effect such cure within such period, any such lender shall have an additional thirty (30) days within which to cure the same or, if such default cannot be cured within that period, such additional time as may be necessary, if within such thirty (30) day period such lender has commenced and is diligently pursuing the actions or remedies necessary to cure the noncompliance involved (including, but not limited to, commencement and prosecution of proceedings to foreclose or otherwise exercise its rights under its mortgage or other security instrument, if necessary to effect such cure), in which event this Lease shall not be terminated by Tenant so long as such actions or remedies are being diligently pursued by such lender. Landlord shall not be liable to Tenant for any default under this Lease that occurs after the sale of the Building by Landlord, and Tenant agrees that its rights with respect to any such default, if asserted, shall be asserted against Landlord's successor in interest, and not against Landlord.

ARTICLE XVI. SUBORDINATION; AMENDMENT; ATTORNMENT

Section 16.1. Subordination. This Lease, at Landlord's option, shall be subordinate to any existing or future mortgage, deed of trust, ground lease or declaration of covenants (regarding maintenance and use of any areas contained in any portion of the Building), as the same may be amended from time to time, any and all advances made under any mortgage or deed of trust and all renewals, modifications, amendments, consolidations, replacements and extensions thereof. Tenant agrees that with respect to any of the foregoing documents, no documentation, other than this Lease, shall be required to evidence such subordination. If any holder of a mortgage or deed of trust shall elect to have this Lease superior to the lien of its mortgage or deed of trust and shall give written notice thereof to Tenant, this Lease shall be deemed prior to such mortgage or deed of trust or to the date of recording thereof. Tenant agrees to execute and deliver such documents that may be required by Landlord to confirm such subordination or priority within ten (10) days of request therefor from Landlord. Should Tenant fail to execute and deliver such documents within such time period, Tenant does hereby make, constitute and irrevocably appoint Landlord as Tenant's attorney-in-fact to execute such documents in Tenant's name, place and stead. This power of attorney shall be deemed to be coupled with an interest. Notwithstanding anything to the contrary contained in this Section 17.1, so long as Tenant fulfills all its obligations under this Lease, Tenant's rights under this Lease shall not be disturbed or impaired by any holder of a mortgage or a deed of trust, or by any person claiming through or under Landlord. Tenant shall not subordinate its

interests hereunder or in the Premises to any lien or encumbrance other than those encumbrances described in this Section 17.1 without the prior written consent of Landlord, which may be withheld for any reason whatsoever or for no reason. Any such unauthorized subordination by Tenant shall be void and of no force or effect whatsoever.

Section 16.2. Amendment. Tenant agrees that from time to time it shall, if so requested by Landlord and if doing so will not materially and adversely affect Tenant's economic interests hereunder, join with Landlord in amending this Lease so as to meet the needs or requirements of any lender that is considering making or that has made a loan secured by the Property or the Building.

Section 16.3. Attornment. Any sale, assignment or transfer of Landlord's interest under this Lease or in the Premises, including, but not limited to, any disposition resulting from Landlord's default under a debt obligation, shall be subject to this Lease, and Tenant shall attorn to Landlord's successors and assigns and shall recognize such successors and assigns as Landlord under this Lease, regardless of any rule of law to the contrary or the absence of privity of contract.

ARTICLE XVII. DEFAULT; REMEDIES; ABANDONMENT; PAST SUMS DUE; PENALTY

Section 17.1. Default by Tenant. Upon the occurrence of any of the following events, Landlord shall have the remedies set forth in Section 18.2:

(a) Tenant fails to pay:

(i) any installment of Basic Monthly Rent for the Premises within five (5) days after written notice from Landlord to Tenant of its failure to pay such amount when due; or

(ii) any installment of Additional Rent or any other sum due hereunder within the time set therefor in Section 5.3 of this Lease, or for any other sums due under this Lease, within five (5) days after presentment of an invoice for the same to Tenant.

(b) Tenant fails to perform any other term, condition, or covenant to be performed by it pursuant to this Lease within thirty (30) days after written notice of such default shall have been given to Tenant by Landlord, or, if cure would reasonably require more than thirty (30) days to complete, if Tenant fails to commence performance within the thirty (30) day period or fails to diligently pursue such cure to completion.

(c) If any of the following occur with respect to Tenant or any guarantor of Tenant's obligations under this Lease:

(i) A voluntary petition for relief pursuant to the bankruptcy or insolvency laws of the United States or of any state is filed by the Tenant or guarantor;

(ii) An involuntary petition for relief pursuant to the bankruptcy or insolvency laws of the United States or of any state is filed against the Tenant or guarantor that is not dismissed within sixty (60) days of its filing date;

(iii) The attachment, garnishment, repossession, seizure, distraint, levy upon or taking of possession by any tax collection authority, receiver, custodian, sheriff or other officer of a city, county or state, creditor's agent, or assignee for the benefit of creditors of any material portion of the property of Tenant or guarantor;

(iv) The Tenant or guarantor makes an assignment for the benefit of creditors;

(v) Any change occurs in the financial condition of Tenant or guarantor that the Landlord considers, in its sole discretion, materially or significantly adverse; or

(vi) An action is commenced against Tenant or guarantor that may materially or significantly adversely affect the ability of Tenant or guarantor to pay any amount payable under this Lease, which adverse effect shall be determined by Landlord in its sole discretion.

(d) Tenant abandons the Premises, as defined in Section 78-36-12.3 of the Utah Code Annotated 1953, as amended (or similar replacement provision), or otherwise vacates the Premises.

(e) Tenant shall do or permit to be done anything that creates a lien upon the Premises or upon Tenant's leasehold interest under this Lease that is not paid or discharged within ten (10) days, or within such additional number of days as Landlord, in Landlord's sole discretion, may allow, after Landlord shall make demand for the payment or discharge of such lien.

(f) There is a taking of this Lease or Tenant's interest herein pursuant to a writ of execution, garnishment or attachment, or a distraint warrant, by a creditor of Tenant, including, but not limited to, governmental taxing authorities.

(g) Tenant or its agent shall supply false or misleading information to Landlord or its agents or representatives required to be furnished by Tenant hereunder or furnished by Tenant to obtain any consent of Landlord or preference or advantage hereunder.

Section 17.2. Remedies. Upon the occurrence of the events set forth in Section 17.1, Landlord shall have the option to take any or all of the following actions, without further notice or demand of any kind to Tenant or any other person, including, but not limited to, any guarantor of Tenant's obligations hereunder.

(a) Immediately reenter and remove all persons and property from the Premises, storing the property in a public place, warehouse or elsewhere at the cost and for the account of Tenant, all without service of notice or resort to legal process and without being deemed guilty of or liable in trespass, conversion or forcible entry and detainer. No such reentry or taking possession of the Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention is given by Landlord to Tenant. Tenant shall pay Landlord, on demand, any and all costs and expenses incurred in accomplishing such reentry, removal and storage, including, but not limited to, attorneys' fees and court costs.

(b) Collect by suit or otherwise each installment of rents or other sum as it becomes due hereunder, or enforce by suit or otherwise any other term or provision hereof on the part of Tenant required to be kept or performed.

(c) Terminate this Lease by ten (10) days written notice to Tenant. In the event of such termination, Tenant agrees to immediately surrender possession of the Premises. Should Landlord terminate this Lease, it may recover from Tenant all damages it may incur by reason of Tenant's breach, including, but not limited to, the cost of recovering the Premises, reasonable attorneys' fees, and the worth at the time of the termination of the excess, if any, of the amount of rents and charges equivalent to rents reserved in this Lease for the remainder of the Term over the then reasonable rental value of the Premises for the remainder of the Term, all of which amounts shall be immediately due and payable from Tenant to Landlord. In determining the rents that would be payable by Tenant hereunder subsequent to default, the rents for each year of the unexpired Term shall be (1) the Basic Monthly Rent as set forth herein if stated or, if adjusted by the Consumer Price Index, using an adjustment of 6% annually; plus (H) all Additional Rent pursuant to Section 5.3 hereof to be due thereafter measured by that which was payable over the year prior to termination and increased 6% per annum.

(d) Should Landlord reenter, as provided above, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law, and whether or not it terminates this Lease, Landlord may relet the Premises or any part thereof for

such term or terms (which may be for a term extending beyond the Term of this Lease), and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable. Upon each such reletting, all rentals received by the Landlord from such reletting shall be applied, first, to the payment of any indebtedness, other than rents due hereunder from Tenant to Landlord; second, to the payment of any costs and expenses of such reletting, including, but not limited to, brokerage and attorneys' fees and costs of any alterations and repairs; third, to the payment of rents due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rents as the same may become due and payable hereunder. If such rentals received from such reletting during any month shall be less than that to be paid during such month by Tenant hereunder, Tenant shall pay any such deficiency to Landlord. Such deficiency shall be calculated and paid monthly. No such reentry and reletting of the Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of such intention shall be given to Tenant pursuant to subsection (c) above, or unless the termination thereof be decreed by a court of competent jurisdiction. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach. The remedies given to Landlord in this Section 17.2 shall be in addition and supplemental to all other rights or remedies that Landlord may be accorded at law or in equity.

Section 17.3. Past Due Sums; Penalty. Except as otherwise expressly provided in this Lease, if Tenant fails to pay, when the same is due and payable, any sum required to be paid by it hereunder, such unpaid amounts shall bear interest from the due date thereof to the date of payment at a fluctuating rate equal to five percent (5%) per annum above the prime rate of interest announced from time to time by First Security Bank of Utah, N.A., Salt Lake City, Utah. In addition thereto, Landlord may charge a sum of five percent (5%) of such unpaid amounts as a service fee. Notwithstanding the foregoing, Landlord's right concerning such interest and service fee shall be limited by the maximum amount that properly may be charged by Landlord for such purposes under applicable law.

ARTICLE XVIII. SECURITY AGREEMENT

Landlord shall have no security interest in and to any of the personal property and fixtures of the Tenant that is granted pursuant to Chapter 9 of the Utah Uniform Commercial Code. Notwithstanding anything herein to the contrary, nothing herein limits or impairs any lien or security interest available to Landlord under any other provision of law.

ARTICLE XIX. PROVISIONS APPLICABLE AT TERMINATION OF LEASE

Section 19.1. Surrender of Premises. Upon the expiration of this Lease, Tenant shall peaceably surrender the Premises to Landlord "broom clean," in good order and condition, ordinary wear and tear and loss by fire (unless caused by Tenant, its agents, servants, employees or invitees) excepted, and shall deliver all keys to Landlord. Subject to Section 8.3 hereof, before surrendering the Premises, Tenant shall remove all of its personal property and trade fixtures. Such property and the removal thereof shall in no way damage the Premises, and Tenant shall be responsible for all costs, expenses and damages incurred in the removal thereof. All movable personal property of Tenant not removed from the Premises upon the abandonment thereof (as defined in Title 78, Chapter 36 of the Utah Code Annotated 1953, as amended, or upon the termination of this Lease for any cause whatsoever shall conclusively be deemed to have been abandoned and may be appropriated, sold, stored, destroyed or otherwise disposed of by Landlord without notice to Tenant or any other person and without any obligation to account therefor. Tenant shall pay Landlord, upon demand, all expenses incurred in connection with the disposition of such property in excess of any amount received by Landlord in connection therewith. No surrender of the Premises shall be effected by Landlord's acceptance of the keys or of any rents or by any other means whatsoever without Landlord's written acknowledgment of such acceptance as a surrender. Tenant shall not be released from obligation in connection with surrender of the Premises until Landlord has inspected the Premises and delivered to Tenant a written release.

Section 19.2. Repair of Damage. Tenant agrees to repair any damage to the Building or the Improvements caused by or in connection with the removal of any articles of personal property, business or trade fixtures, machinery, equipment, cabinetwork, furniture, movable partition or permanent improvements or additions, including, but not limited to, repairing the floor and patching and painting the walls where required by Landlord to Landlord's reasonable satisfaction, all at Tenant's sole cost and expense. Tenant shall indemnify and hold Landlord harmless against any loss or liability resulting from delay by Tenant in so surrendering the Premises, including, but not limited to, any claims made by any succeeding tenant founded on such delay.

Section 19.3. Holding Over. Because an unauthorized holding over after the expiration of the Term will cause substantial damage to Landlord that cannot be estimated at the time of execution of this Lease, any such holding over shall be construed to be a tenancy from month-to-month at two (2) times the Basic Monthly Rent in effect at the expiration of the Term plus all other sums, rents and charges herein specified (pro rated on a monthly basis) and shall, so far as possible, otherwise be on the terms specified herein.

ARTICLE XX. ESTOPPEL CERTIFICATE

Section 20.1. Landlord's Right to Estoppel Certificate. Tenant shall, within five (5) days after Landlord's request therefor, execute and deliver to Landlord an Estoppel Certificate upon a form provided to Tenant by Landlord, in recordable form and setting forth the following: (a) a ratification of this Lease; (b) the Actual Commencement Date and termination date hereof; (c) a certification that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended (except by such writing as shall be stated); (d) that all conditions under this Lease to be performed by Landlord have been satisfied; (e) that there are no defenses or offsets against the enforcement of this Lease by Landlord, or, in the alternative, those claimed by Tenant; (f) the amount of advance rents, if any (or none if such is the case), paid by Tenant; (g) the date to which rents have been paid; (h) the amount and type of the Security Deposit or other security deposited with Landlord; and (i) such other information as Landlord (or its mortgagees or potential purchasers of the Premises) may reasonably request. In the event that Tenant fails within five (5) days after Landlord has delivered to Tenant an Estoppel Certificate pursuant to this Section 20.1 to properly execute and deliver the same to Landlord, or to have delivered to Landlord a written description of Tenant's objections to the specifics set forth in the Estoppel Certificate, Tenant shall be deemed to have consented to such Estoppel Certificate as written. Landlord's mortgage lenders and/or purchasers shall be entitled to rely upon such certificate or consent thereto.

Section 20.2. Effect of Failure to Provide Estoppel Certificate. Unless Tenant has provided to Landlord a written list of objections to an Estoppel Certificate as described in Section 20.1, Tenant's failure to furnish any Estoppel Certificate pursuant to Section 20.1 hereof within fifteen (15) days after request is made by Landlord therefor shall be deemed a default hereunder. Moreover, it shall be conclusively presumed that (a) this Lease is in full force and effect without modification in accordance with the terms set forth in the Estoppel Certificate; (b) there are no breaches or defaults on the part of Landlord; and (c) no more than one month's rents have been paid in advance.

ARTICLE XXI. COMMON AREAS

Section 21.1. Definition of Common Areas. "Common Areas" means all areas, space, equipment and special services provided for the joint or common use and benefit of the tenants or occupants of the Building, the Property or portions thereof, and their employees, agents, licensees and other invitees (collectively referred to herein as "Occupants"), including, but not limited to, the following: parking areas; access roads; driveways; landscaped areas; pedestrian walks; stairs, and sidewalks; common corridors, rooms and restrooms; air conditioning, fan, janitorial, electrical and telephone rooms or closets; and all other areas within the Building that are not specified for exclusive use or occupancy by Landlord or any tenant (whether or not they are leased or occupied).

Section 21.2. License to Use Common Areas. The Common Areas shall be available for the common use of all Occupants and their business invitees and shall be used and occupied under a revocable license and, to the extent such access to the Common Areas has been or shall be granted. If any such license shall be revoked, or if the amount of such areas shall be changed or diminished, Landlord shall not be subject to any liability, nor shall Tenant be entitled to any compensation or diminution or abatement of rents, nor shall revocation or diminution of such areas be deemed constructive or actual eviction. As between Tenant and Landlord, all Common Areas shall be subject to the exclusive control and management of Landlord. Landlord shall have the right to (a) contract, maintain and operate lighting and other facilities on the Common Areas; (b) police the same; (c) change the area, level, location and arrangement of parking areas and other facilities located thereon; (d) restrict parking by the Occupants or the general public; (e) close all or any portion of the Common Areas to such extent as may be legally sufficient to prevent a dedication thereof or the accrual of any right to any person or the public therein; and (f) close temporarily all or any portion of the parking areas or facilities to discourage non-Occupant parking. Landlord shall operate and maintain the Common Areas in such manner as Landlord in its discretion shall determine, shall have full right and authority to employ and discharge all personnel with respect thereto and shall have the right, through reasonable rules, regulations and/or restrictive covenants promulgated by Landlord from time to time, to control the use and operation of the Common Areas.

Section 21.3. Parking. (a) Automobiles of Tenant and all Occupants associated with Tenant shall be parked only within parking areas not otherwise reserved by Landlord or specifically designated for use by any other tenant and/or Occupants associated with any other tenant. Landlord or its agents shall, without any liability to Tenant or its Occupants, have the right (but not the obligation) to cause to be removed any automobile that may be wrongfully parked in a prohibited or reserved parking area, and Tenant agrees to indemnify, defend and hold Landlord harmless from and against any and all claims asserted or arising with respect to or in connection with any such removal of an automobile.

ARTICLE XXII. SIGNS, AWNINGS AND CANOPIES

Tenant shall not place or suffer to be placed or maintained on any exterior door, wall or window of the Premises, or elsewhere in the Building, any sign, awning, marquee, decoration, lettering, attachment, canopy, advertising matter or other thing of any kind and will not place or maintain any decoration, lettering or advertising matter on the glass of any window or door of the Premises without first obtaining Landlord's written approval and consent, which may be withheld for any reason whatsoever or for no reason. Tenant shall maintain such sign, awning, canopy, decoration, lettering, advertising matter or other things as may be approved in good condition and repair at all times. Landlord may, at Tenant's cost, and without liability to Tenant, enter the Premises and remove any

item erected in violation of this Article XXII. Landlord may establish and revise rules and regulations from time to time governing the size, type and design of all signs, decorations and similar items, and Tenant agrees to abide thereby.

ARTICLE XXIII. LANDLORD'S RESERVED RIGHTS

Without liability to Tenant (except for damages caused by the reckless or willful misconduct of Landlord or its agent), Landlord shall have the right at any time or from time to time to (a) upon at least twenty (20) days' prior notice to Tenant, change the name or street address of the Building; (b) without notice, install and maintain signs on the exterior of the Building; (c) upon notice to Tenant, enter the Premises and perform any obligation of Tenant hereunder that Tenant has failed to perform satisfactorily; (d) without notice, make changes, alterations and additions to the Building or the Property or consent to changes, alterations or additions within the leased premises; (e) exhibit the Premises to prospective tenants, mortgagees and purchasers upon reasonable notice; (f) without notice, enter into the Premises to take such measures as Landlord may deem advisable for the safety, security and welfare of the Building and its Occupants and, for such purposes, to bring into and through the Premises or any part of the Building, all required tools, equipment and materials and to temporarily suspend the use of doors, corridors or other facilities of the Building; and (g) upon ninety (90) days' prior notice, relocate Tenant to a reasonable location on the Property comparable in size to the Premises and lease such new location to Tenant under the terms and conditions of this Lease. If Landlord elects to relocate Tenant pursuant to this Article XXIII, Landlord shall tender the new location to Tenant in substantially the same condition as the Premises were in when tendered to Tenant and reimburse Tenant for all reasonable direct costs paid by Tenant as a result of such relocation. Tenant shall not in such event claim or be allowed any damages for injury, inconvenience, business interruption or lost profits occasioned thereby and shall not be entitled to terminate this Lease.

ARTICLE XXIV. RULES AND REGULATIONS

Landlord may from time to time propose, adopt, amend, modify, delete or add rules and regulations for the use and care of the Building and the Property. Such amendment, modification, deletion or addition shall be effective upon notice thereof to Tenant from Landlord. Tenant will cause its employees, agents or any other persons permitted by Tenant to occupy or enter the Premises to at all times abide by all of such rules and regulations. In the event of any breach of any of such rules or regulations, Landlord may exercise any or all of the remedies in this Lease that are provided for in the event of default by Tenant and may, in addition, exercise any remedies available at law or in equity, including, but not limited to, the right to enjoin any breach of such rules and regulations. No act performed by Landlord or its agents during the Term of the Lease to enforce such rules and regulations shall constitute an eviction of Tenant by Landlord, nor

shall it be deemed an acceptance or surrender of the Premises. Landlord shall not be responsible to Tenant for the failure by any other tenant or person to observe any such rules and regulations.

ARTICLE XXV. MISCELLANEOUS PROVISIONS

Section 25.1. No Partnership. Landlord does not by this Lease, in any way or for any purpose, become a partner or joint venturer of Tenant in the conduct of its business or otherwise.

Section 25.2. Force Majeure. Landlord shall be excused for the period of any delay in the performance of any obligations hereunder when prevented from so doing by any cause or causes beyond Landlord's control, including, but not limited to, labor disputes, civil commotion, war, governmental regulations or controls, fire or other casualty, inability to obtain any material or service or acts of God.

Section 25.3. Notices. Any notice, demand, request or other instrument that may be or is required to be given under this Lease shall be delivered in person or sent by overnight delivery service or by United States certified or registered mail, postage prepaid, and shall be addressed to the recipient at the address set forth on the first page of this Lease; provided that, with respect to notices to Landlord, a copy shall also be sent to Parsons, Davies, Kinghorn & Peters, Attn: Bill Thomas Peters, 185 South State Street, Suite 700, Salt Lake City, Utah 84111. If notice is delivered in person, it shall be deemed given when delivered; if notice is delivered by overnight delivery service, notice shall be deemed given on the first business day after such notice is deposited with such overnight delivery service; if notice is given by certified or registered mail, it shall be deemed given three (3) days after such notice is deposited in the United States mail, addressed to the mailing address for the intended recipient set forth on the first page hereof. Either party may designate from time to time such other address or addresses for notices as shall be given by written notice thereof to the other party.

Section 25.4. Captions and Attachments.

(a) The captions to the articles and sections of this Lease are for convenience of reference only and shall not be deemed relevant in resolving questions of construction or interpretation under this Lease.

(b) Exhibits referred to in this Lease and any addendums, riders and schedules attached to this Lease shall be deemed to be incorporated in this Lease as though a part hereof.

Section 25.5. Recording. Tenant shall not record this Lease or a memorandum hereof without the written consent of Landlord. Landlord, at its option and

at any time, may file this Lease or a memorandum hereof for record with the Recorder of the County in which the Property is located.

Section 25.6. Partial Invalidity. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is held invalid shall not be affected thereby, and each provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

Section 25.7. Broker's Commissions. Except as agreed upon in writing by Landlord, Tenant represents and warrants that there are no claims for brokerage commissions or finder's fees in connection with this Lease and agrees to indemnify Landlord against and hold it harmless from all liabilities arising from such claims, including any attorneys' fees connected therewith.

Section 25.8. Tenant Defined; Use of Pronouns. The word "Tenant" shall be deemed and taken to mean each and every person or party executing this document as a Tenant hereunder and their successors and assigns. If there is more than one person or organization set forth on the signature line as Tenant, their liability hereunder shall be joint and several. If there is more than one Tenant, any notice required or permitted by the terms of this Lease may be given by or to any one Tenant, and shall have the same force and effect as if given by or to all Tenants. The use of the neuter singular pronoun to refer to Landlord or Tenant shall be deemed a proper reference even though Landlord or Tenant may be an individual, partnership, corporation or a group of two or more individuals, partnerships or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to corporations, associations, partnerships, individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

Section 25.9. Provisions Binding, etc. Except as otherwise provided, all provisions herein shall be binding upon and shall inure to the benefit of the parties, their legal representatives, heirs, successors and approved assigns. Each provision to be performed by Tenant shall be construed to be both a covenant and a condition, and if there shall be more than one Tenant, they shall all be bound, jointly and severally, by such provisions. In the event of any sale or assignment (except for purposes of security or collateral) by Landlord of the Building, the Premises or this Lease, Landlord shall, from and after the Actual Commencement Date (irrespective of when such sale or assignment occurs), be entirely relieved of all of its obligations hereunder, and such obligations shall, as of the time of such sale or assignment or on the Actual Commencement Date, whichever is later, automatically pass to Landlord's successor in interest.

Section 25.10. Entire Agreement; Amendments; Effective Date; Restrictive Covenants. This Lease and the Exhibits, Riders and/or Addenda, if any, attached hereto, constitute the entire agreement between the parties. Any guaranty attached hereto is an integral part of this Lease and constitutes consideration given to Landlord to enter into this Lease. Any prior conversations or writings are merged herein and extinguished. No subsequent amendment to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed. Submission of this Lease for examination does not constitute an option for the Premises, and this Lease becomes effective as a lease only upon execution and delivery thereof by Landlord to Tenant. It is hereby agreed that this Lease contains no restrictive covenants or exclusions in favor of Tenant.

Section 25.11. Recourse by Tenant. Anything in this Lease to the contrary notwithstanding, Tenant agrees that it shall look solely to the equity of Landlord in the Building in which the Premises are located and the Parcel upon which the Building is situated, subject to prior rights of any mortgagee (including mortgagees advancing monies after the date of this Lease), for the collection of any judgment (or other judicial process) requiring the payment of money by Landlord in the event of any default or breach by Landlord with respect to any of the terms, covenants and conditions of this Lease to be observed and/or performed by Landlord. No other assets of Landlord shall be subject to levy, execution or other procedures for the satisfaction of Tenant's remedies.

Section 25.12. Choice of Law. This Lease shall be governed by and construed in accordance with the laws of the State of Utah.

Section 25.13. Time of Essence. Time is of the essence of this Lease.

Section 25.14. Waiver. No failure by Landlord to insist upon the strict performance of any covenant, duty agreement or condition of this Lease or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such or any other covenant, agreement, term or condition of this Lease. Landlord may, by written notice delivered in the manner provided in this Lease, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation or covenant of Tenant. No waiver shall affect or alter the remainder of this Lease, but each and every other covenant, agreement, term and condition hereof shall continue in full force and effect with respect to any other then existing or subsequently occurring breach.

Section 25.15. Rights and Remedies. The rights and remedies of Landlord shall not be mutually exclusive, and the exercise of one or more of the provisions of this Lease shall not preclude the exercise of any other provisions. Tenant confirms that

damages at law may be an inadequate remedy for a breach or threatened breach by Tenant of any of the provisions hereof. Landlord's rights and Tenant's obligations hereunder shall be enforceable by specific performance, injunction or any other equitable remedy, but nothing herein contained is intended or shall limit or affect any rights at law or by statute or otherwise of Landlord against Tenant for a breach or threatened breach of any provision hereof, it being the intention by this Section to make clear that the agreement of the parties hereto and the rights of Landlord and obligations of Tenant hereunder shall be enforceable in equity as well as at law or otherwise.

Section 25.16. Authorization. Each individual executing this Lease does thereby represent and warrant to each other so signing (and each other entity for which another person may be signing) that he has been duly authorized to execute and deliver this Lease in the capacity and for the entity set forth where he signs.

Section 25.17. Attorneys' Fees. In the event that at any time during the Term of this Lease either Landlord or Tenant institutes any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, the unsuccessful party in such action or proceeding shall reimburse the successful party for the reasonable expenses of such action, including, but not limited to, reasonable attorneys' fees incurred therein by the successful party.

Section 25.18. Successors. Landlord shall not be liable to Tenant for any default or breach under this Lease that occurs after the sale of the Building or Premises by Landlord.

ARTICLE XXVI. TENANT'S LIMITED RIGHT TO PURCHASE AN INTEREST IN THE LEASED PREMISES

Section 26.1 Purchase Conditions. Lessor grants to tenant the limited right to purchase an interest in the leased premises subject to the following terms and conditions:

(a) The tenant shall have fully performed all of its obligations under the lease agreement and;

(b) All obligations incurred by the Utah Association of Counties to acquire, construct and finance the building and improvements that are the subject matter of this lease have been paid in full and have been fully discharged. Said obligations include but are not limited to a lease purchase agreement entered into as of May 15, 1997 between Zions First National Bank as trustee and the Utah Association of Counties as lessor including all subsequent amendments to said lease purchase agreement and indentures.

(c) The limited right to purchase an interest in the demised premises, is subject to the condition precedent that Zions First National Bank, as trustee, shall have first approved such limited right of purchase prior to the same becoming effective.

(d) Subject further to the condition that this limited right to purchase shall be null and void if in the opinion of Zions First National Bank, trustee, such provision in any manner negates, impairs or negatively impacts in any manner the financing obtained for the acquisition and construction and maintenance of the UAC premises through Zions First National Bank as trustee and any of the indentures and the tax treatments thereof utilized in financing the real property and improvements that are the subject matter of this lease agreement and limited right to purchase.

Section 26.2 Determination of Interests Determination of tenants limited interest in and to the leased premises.

(a) In the event that all of the provisions set forth in Article 26.1 above have been fulfilled to allow the limited right to purchase an interest to go forward, tenant's proportionate interest purchased pursuant to this provision shall be based upon the historical overall capital contribution made by UAC and the historical overall capital contribution made by UACIM. Such capital contributions shall include the cost of financing/debt service, capital improvement reserves and the initial down payment upon the UAC building project. The percentage of such total costs paid by the Utah Association of Counties and percentage of said total cost paid by Utah Association of Counties Insurance Mutual shall be the basis upon which the percentage ownership interest of the Utah Association of Counties and the percentage of ownership interest of the Utah Association of Counties Insurance Mutual shall be determined.

Section 26.3 Excluded Expenses. For purposes of calculating the percentage of ownership as between landlord, UAC and tenant (UACIM) such calculation shall not include any sums expended for the acquisition or replacement of personal property nor shall it include any sums paid as operation and maintenance expense.

ARTICLE XXVII. BUY AND SELL TERMS AFTER PURCHASE.

Section 27.1 Terms. In the event UACIM shall have acquired an ownership interest in the UAC building and real property, UAC and UACIM agree to be

subject to the following terms and conditions regarding the sale and purchase of the interest of UAC or UACIM should either determine to sell such interest or in the even that any such owner shall determine to discontinue its existence:

(a) The selling price shall be based upon the fair market value of the selling entities' interest.

(b) The fair market value of the selling entities' interest shall be that price determined by an MAI appraiser selected by mutual agreement of both entities.

(c) Should the selling and buying entity be unable to mutually agree to the selection of an MAI appraiser, then each entity shall select an MAI appraiser to determine the fair market value. If the fair market value determination made by each MAI appraiser is within a range no greater than 10% then the fair market value shall be the average of the two appraisals.

(d) If the fair market value determinations are in excess of 10% of the other, then the seller and purchaser agree to settle the matter by arbitration at Salt Lake City, Utah pursuant to the rules of the American Arbitration Association.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease
on the day first set forth above.

LANDLORD:

UTAH ASSOCIATION OF COUNTIES a Utah
nonprofit corporation

By: _____
Its: _____

TENANT:

Utah Association of Counties Insurance Mutual

By: _____
Its: _____

EXHIBIT "A"

Lease agreement by and between Utah Association of Counties as Landlord and Utah Association of Counties Insurance Mutual as tenant. The total amount of rentable square footage occupied by the Utah Association of Counties Insurance Mutual for the lease term commencing _____, _____ and ending _____, _____ is _____ square feet.

LANDLORD:

UTAH ASSOCIATION OF COUNTIES a Utah
nonprofit corporation

By: _____
Its: _____

TENANT:

Utah Association of Counties Insurance Mutual

By: _____
Its: _____



March 02, 2000

UPDATE/ A.M. BEST IMPROVES RELIANCE'S UNDER REVIEW IMPLICATIONS



Best's News via NewsEdge Corporation : OLDWICK, N.J. (BestWire) - A.M. Best Co. has improved the status of Reliance Insurance Group's A- (Excellent) rating to under review with developing implications from under review with negative implications.

The action follows the release of Reliance Group Holdings' year-end earnings and its announcement of favorable capital-raising developments addressing certain issues that had exerted pressure on the group's financial strength rating. In January 2000, Reliance announced that it had achieved a complex global settlement of its Unicover exposure.

Reliance has announced that Travelers Property & Casualty Corp. has signed a letter of intent to acquire its profitable surety operations for \$580 million, the maturity date of its bank facility has been extended to Aug. 31, 2000, and common stock dividends have been suspended.

Proceeds from the surety-unit sale will result in an insurance operations after-tax gain of over \$300 million. This transaction, combined with the recent significant market appreciation on the group's large investment in Symbol Technologies, Inc., will restore the statutory surplus to early 1999 levels, bringing capitalization in line with A.M. Best's expectations for the A- rating. On a pro forma basis, Reliance's surplus is expected to exceed \$1.6 billion following the surety unit sale.

The five-month extension of the maturity date on \$238 million of bank debt has postponed near-term liquidity issues at the parent holding company for funding sources to meet this obligation. Further, the suspension of the expensive common stock dividends and an announced home office consolidation are expected to reduce the holding company's expenses and cash flow requirements. These actions should facilitate the refinancing of a reduced level of debt early this summer.

Reliance Insurance Group's rating will remain under review pending the successful close of the surety transaction, the reduction of debt well before August and the monetization of gains on Symbol Technologies stock to protect against a surplus downturn. Additionally, the group must demonstrate acceptable risk-adjusted underwriting results in line with their rating, a stabilization of gross loss reserve development and controlled business growth in its commercial specialty businesses--particularly in light of continued soft market conditions and the sale of its highly profitable fidelity and surety operations.

To the extent these issues are resolved to the A.M. Best's satisfaction, Reliance's A- rating is likely to be affirmed. This action would then conclude A.M. Best's ongoing review begun on Oct. 21, 1999, the result of an uncertainty related to potential Unicover losses, as well as diminished capital strength and financial flexibility following significant 1999 reserve charges taken in several discontinued lines.

Reliance Insurance Group is one of the top 25 property/casualty insurers in the United States, with over \$2.5 billion in net written premium as of year-end 1999.



UTAH ASSOCIATION
OF COUNTIES
INSURANCE MUTUAL

***2000
Risk Management
Program***

5397 S. VINE STREET, SALT LAKE CITY, UTAH, 84107
TELEPHONE: (801) 265-1331 FACSIMILE: (801) 265-9485

UTAH ASSOCIATION OF COUNTIES INSURANCE MUTUAL

BOARD OF TRUSTEES

February 1, 2000

Dear Mutual Member:

Webster's New World Dictionary defines the word "mutual" as "in common" and "done, felt, etc. by each of two or more for or toward the other or others." It is thus fitting that we are the Utah Association of Counties Insurance Mutual and refer to ourselves as simply "The Mutual, " for we truly have much in common.

The Mutual was formed in 1992 by Utah counties to insure only counties. Since that time, we have endeavored to provide expanding coverage tailored to the needs of member counties. Our Board of Trustees is comprised of elected officials and employees of member counties. We work closely with UAC affiliates such as the Utah Sheriff's Association to provide training and support in an effort to limit exposures in the unique services that counties provide, such as law enforcement operations and jail facilities. Our personnel work with other organizations such as the Utah Technology Transfer Center to provide training for our road department personnel. Our staff regularly meets with committees comprised of representatives of county attorney's offices and personnel departments on litigation and personnel issues confronting the mutual. In short, we are continually seeking better ways to protect our mutual interests and to provide the services you need by working with your elected officials and staff.

As Webster's definition points out, as members of a mutual organization the losses of one member can be felt by all. While this is a benefit to a member who suffers an unexpected or unusual loss, it also places a burden on all members to take some simple, prudent measures to keep losses to a minimum. All of our members benefit when we practice sound risk management. For that reason, the Mutual Board of Trustees has approved the following *UACIM Risk Management Program* for 2000.

Each year the Mutual Board of Trustees determines what percentage of the member counties' premium is available as a credit under the program. That percentage applied to an individual county's premium represents the dollar figure of the total available credit. In 1999, thirteen member counties qualified for premium credits ranging from \$847 to \$10,397. The total premium credit paid out in 1999 was \$42,570. The Mutual Board of Trustees has approved a maximum premium credit of three percent for qualifying counties in 2000.

Each risk management standard has a premium credit attached to it. The total

premium credits for all *UACIM Risk Management Program* standards totals 100 percent. A member county with a perfect score will receive 100 percent of the premium credit approved annually by the Board of Trustees. Using this system, the Board can increase or decrease the impact of the credit (as deemed appropriate) without changing the overall premium credit percentage. Compliance and eligibility for credit in each category shall be determined by the Mutual in connection with county risk reviews.

It is the hope of the Mutual Board that all Mutual members will make every effort possible to implement the *UACIM Risk Management Program* with the goal of reducing claims and keeping premiums low.

Gary R. Herbert,
President, UACIM Board of Trustees

**SECTION ONE
PREREQUISITES**

The following prerequisites must be met before the county can receive a premium credit:

☐

- 1.1 A risk manager or safety officer who is responsible for the implementation of the UACIM Risk Management Program must be appointed by the county Commission/Council.

Please list the name & title of the person responsible:

☐

- 1.2 The county must adopt a formal policy in writing establishing a Safety Committee and/or Accident Review Board (ARB). The Safety Committee or ARB must :
- a. Meet on a regular basis, but not less than quarterly;
 - b. Keep written minutes of each meeting. A copy of the minutes must be forwarded to the UACIM Loss Prevention Manager;
 - c. Review all auto accidents and may also review any injury claims, or property claims reported to UACIM

Please attach a copy of the policy establishing the Safety Committee and/or ARB.

☐

- 1.3 The county must respond to each risk review conducted by UACIM within 30 days of receipt of the report.

This section will be verified by UACIM staff.

☐

- 1.4 ALL requested information for renewal of the policy must be received by UACIM on or before the due date. NO EXCEPTIONS.

This section will be verified by UACIM staff.

☐

- 1.5 Driver's licenses of all operators of county vehicles are checked:
- a. Before hire to determine status; and
 - b. Annually to determine status, restrictions, or modifications.
 - c. The license checks are received by UACIM on or before the due date. NO EXCEPTIONS.

This section will be verified by UACIM staff.

SECTION TWO
CLAIMS & LITIGATION MANAGEMENT
MAXIMUM CREDIT: 7%

The following credit is available in Section Two:

- ☐ 2.1 The county must have written policies and procedures for handling claims and lawsuits. This may be accomplished through circulation of a memo. The written policy or memo for handling claims and lawsuits must state that all lawsuits and Notice of Claims received shall be forwarded to the individual designated by the county. That person shall send a copy of all potential UACIM-covered claims by certified mail, fax, or electronically to the UACIM Claims Manager within two business days.

Please attach a copy of the policy/memo.

Maximum Credit: 4%

- ☐ 2.2 All potential UACIM-covered claims are reported to the UACIM Claims Manager within ten days after receipt of the claim along with:
- a. A completed notice of claim form;
 - b. A copy of the claim;
 - c. Copies of all relevant reports, including police reports.

This section will be verified by UACIM staff.

Maximum Credit: 1%

- ☐ 2.3 The county notifies UACIM within one business day of serious occurrences likely to give rise to litigation or significant liability. These occurrences include:
- a. Any accidents involving death, hospitalization, or personal injury;
 - b. Vehicle pursuits which result in death, injury of any person, or destruction of third party property;
 - c. Shootings involving deputies;
 - d. Involuntary terminations which the county reasonably believes might result in litigation;
 - e. Sexual harassment allegations which the county reasonably believes might result in litigation;
 - f. Planning and zoning issues where the parties threaten litigation or that are likely to result in claims or lawsuits.

This section will be verified by UACIM staff.

Maximum Credit: 2%

**SECTION THREE
VEHICLE SAFETY
MAXIMUM CREDIT: 20%**

☐ Prerequisites. The following prerequisites must be met in order to receive credit under this section:

- a. All accidents involving county drivers (including road department and Sheriff's Office personnel) and/or vehicles that have been reported to UACIM must be reviewed by the safety committee/ARB; and
- b. Copies of the accident reviews must be sent to UACIM.

This section will be verified by UACIM staff.

The following credit is available in Section Three:

- ☐ 3.1 The county maintains written records of all maintenance performed on each county-owned vehicle or heavy equipment.

Please specify where the records are kept and who maintains them:

Maximum Credit: 2%

- ☐ 3.2 County road department personnel have been trained on how to conduct a pre-trip inspection on licensed heavy vehicles, are required to conduct pre-trip inspections, and keep written logs of the inspections in the vehicle.

Please attach a sample pre-trip inspection form used by the county.

Maximum Credit: 9%

- ☐ 3.3 The county has the following written policies:
- a. Use of seat belts required of all drivers and passengers in county vehicles;
 - b. All accidents involving county vehicles are to be reported immediately to the department head;
 - c. All CDL holders will comply with federal and state law regarding the reporting of accidents, citations, or driving convictions involving the CDL holder. The policy, or a memo circulated to CDL holders, states clearly when the CDL must report accidents and citations.

Please attach a copy of the policies.

Maximum Credit: 2%



3.4 The county has conducted a defensive driving course for all county drivers within the last two years.

Please attach a copy of the attendance rosters from the DDC course(s).

Maximum Credit: 7%

**SECTION FOUR
PERSONNEL
MAXIMUM CREDIT: 19%**

☐ The following prerequisites must be met in order to receive credit under this section:
The following personnel policies must be adopted in writing:

- a. Established procedures for recruitment, interviewing, and hiring;
- b. Requirement that ADA compliant job descriptions be established for each county position;
- c. Prohibitions against illegal discrimination;
- d. Established procedures for discipline and termination.

Copies of these policies must be attached.

The following credit is available in Section Four:

- ☐ 4.1 The county has adopted a policy that states clearly at the beginning of the policy that the policy does not create a contract between the county and the employee.

Please attach a copy of the policy.

Maximum Credit: 2%

- ☐ 4.2 The county has written personnel policies and procedures and has distributed a copy to each employee. In the alternative, the county has made a copy available to the employee and explained to the employee in writing where a copy of the policies can be obtained for reference. Each employee has signed a statement that the employee has received and read the policy.

Maximum Credit: 2%

- ☐ 4.3 The county has adopted a written drug and alcohol testing program that is consistent with federal and state statutes. The policy contains the following elements when applicable:
- a. Pre-employment testing;
 - b. Reasonable suspicion testing;
 - c. Post accident testing in accordance with county policy;
 - d. Random testing in accordance with federal regulations for drivers holding a Commercial Driver's License (CDL);
 - e. Policy regarding positive results which includes a statement of the employee's rights

Please attach a copy of the policy.

Maximum Credit: 2%

- ☐ 4.4 The county updates the personnel policies and procedures on an annual basis and updates are circulated to all employees.

Please list the last date the policy was reviewed/updated:

Maximum Credit: 1%

☐

4.5 The county trains all supervisory personnel, including elected officials, on the county's personnel policies and procedures.

Please list the training dates and attach an agenda/training materials if available.

Maximum Credit: 2%

☐

4.6 The county has adopted a written Title VII harassment policy that:

- a. States the type of conduct prohibited;
- b. Does not require or advise the victim to address a complaint to the alleged harasser;
- c. States clearly how a complaint may be made and to whom;
- d. Provides for an alternate to whom a complaint may be made and at least one of the persons to whom a complaint may be made is a female; and
- e. Clearly states the appeals process or refers to the county's appeals process under which an appeal for specified personnel actions may be made.

Please attach a copy of the policy.

Maximum Credit: 3%

☐

4.7 The county has adopted a conflict of interest policy which clearly states:

- a. When a potential for conflict occurs;
- b. How to report a conflict;
- c. What action can be taken against the employee if the policy is violated.

The county has trained employees and elected officials on the policy.

Please attach a copy of the policy.

Maximum Credit: .5%

☐

4.8 The county has attended the most recent UACIM annual personnel workshop.

Maximum Credit: 2.5%

☐

4.9 The county has verified that it does/does not comply with the requirements of the County Personnel Management Act.

Please attach a statement indicating that the county does or does not comply with the County Personnel Management Act. If the county does not comply with the Act, please:

a. State why, i.e. the county does not have 130 or more employees not covered by another merit system; and

b. Please state the maximum number of full-time, part-time, & seasonal employees employed by the county during the year. Include elected officials.

Maximum Credit: 4%

**SECTION FIVE
LAW ENFORCEMENT
MAXIMUM CREDIT: 16%**



The following prerequisites must be met in order to receive credit under this section:
The following policies must be adopted in writing:

- a. Use of force;
- b. Vehicle pursuits;
- c. Searches and seizures; and
- d. Policies regarding pornography & grievances.

Please list the sections or page numbers in the S.O. policies where the above referenced policies are located:



- 5.1 All Sheriff's Office personnel receive annual training on all policies referenced in the prerequisites for this section.

Please provide a list of the dates and topics for each training session.

Maximum Credit: 2%



- 5.2 All Sheriff's Office personnel receive annual training on all approved weapons.

Maximum Credit: 2%



- 5.3 Sheriff's Office personnel receive annual EVO training in the same type of vehicle operated by the employee.

Please provide a list of personnel who have attended EVO training in the past year.

Maximum Credit: 7%



- 5.4 The Sheriff's Office has adopted a form of the Utah Jail Standards.

Maximum Credit: 2%



- 5.5 The jail has been inspected in the last twelve months for compliance with the Utah Jail Standards.

Maximum Credit: 2%



- 5.6 UACIM is provided a copy of the latest jail inspection report along with the Office response detailing proposed steps to address the inadequacies.

Please attach a copy of the latest report.

Maximum Credit: 1%

SECTION SIX
TRAFFIC CONTROL DEVICES
MAXIMUM CREDIT: 5%



The following prerequisites must be met in order to receive credit under this section:

1. At least one copy of the Manual on Uniform Traffic Control Devices (MUTCD) must be on hand for reference by personnel responsible for the placing and maintaining of traffic control devices.
2. The county must maintain a written (or computerized) inventory of all county-maintained traffic control devices. At least 98% of all signs must be included in the inventory to qualify.

The following policies must be adopted in writing:



- 6.1 Written records of regular inspections of all traffic signs must be kept. Inspections must be conducted at least quarterly and include any maintenance conducted.

Please provide a sample of the county's inspection report form.

Maximum Credit: 2.5%



- 6.2 The county has a written emergency response program for reports of damaged or missing signs that:
- a. Specifies the employee to whom reports are to be forwarded;
 - b. Specifies the priority for response to a report of a missing or damaged sign;
 - c. Specifies that "stop" signs are to be replaced immediately, and, when necessary, the county will request the Sheriff's Office to respond to a report of missing or damaged "stop" signs at hazardous intersections until the sign is replaced; and
 - d. Requires that all reports of missing or damaged signs are kept along with a written report stating the replacement or repair date, the employee who made the repair, and the time the repair was made.

Please provide a copy of the memo or policy.

Maximum Credit: 2.5%

**SECTION SEVEN
PLANNING AND ZONING
MAXIMUM CREDIT: 7%**



The following prerequisites must be met in order to receive credit under this section:

1. The county must have adopted a General Plan in accordance with the Utah Code;
2. The county must have adopted a zoning ordinance in accordance with the Utah Code; and
3. The county must have adopted a subdivision ordinance in accordance with the Utah Code.

The following policies must be adopted in writing:



- 7.1 All members of the planning commission have received training within the previous twenty-four months regarding the legal duties of a planning commissioner.

Maximum Credit: 7%

SECTION EIGHT
USE OF COUNTY FACILITIES BY THIRD PARTIES;
COUNTY FAIRS
MAXIMUM CREDIT: 9%

The following policies must be adopted in writing:



- 8.1 The county has adopted a policy requiring third-party users of county-owned or leased facilities, including all facilities insured by the county through UACIM, to sign an indemnification (hold-harmless) agreement approved by the county attorney.

Please attach a copy of the policy and sample hold-harmless agreement.

Maximum Credit: 3%



- 8.2 The county has adopted a policy requiring:
- a. Certificates secured through UACIM (if available) or liability insurance certificates from third parties using county-owned facilities, including all facilities insured by the county through UACIM;
 - b. That the insurance certificate name the county as an additional insured;
 - c. That written criteria be developed specifying when the insurance requirement might be waived;
 - d. That approval by the county governing body or its designate be obtained in writing before waiving the insurance requirement;
 - e. That copies be obtained of all certificates, and that written record of the waiver by the county of the insurance requirement and copies of certificates be kept on file for a period of at least five years; and
 - f. That the certificates be in the amount of at least \$1 million.

Please attach a copy of the policy.

Note: If your county does not have property that is leased or used by third parties, you may qualify for this credit if you provide a signed statement certifying that county facilities are not leased or used by third parties.

Maximum Credit: 3%



- 8.3 The county has a written policy that no alcohol be served at county-owned facilities, including all facilities insured by the county through UACIM, unless additional insurance has been obtained covering alcohol related services.

Please attach a copy of the policy. Counties that have a ban on alcohol at county facilities may also receive credit if the policy is attached.

Maximum Credit: 1%

- ☐ 8.4 When alcohol is served at county-owned facilities, the county must have written policies requiring or including the following:
- a. Additional security around the vendor selling alcohol;
 - b. Hours of service (including no later than one hour before event closing time);
 - c. Designation of non-drinking areas (including parking lots as non drinking areas);
 - d. Stating that alcohol is not to be sold to vendors, employees of any vendor, employees of the fair, employees of any carnival, ride, or attraction, security personnel, or participants in events.

Counties that have a ban on alcohol at county facilities can receive credit if the policy banning alcohol is attached.

Maximum Credit: 1%

- ☐ 8.5 The county has written policies governing the use of fairgrounds, including use of arenas, buildings, and property. The rules for the use of the facilities are posted at each facility and clearly and conspicuously state that use of the facility as at the risk of the user and the county is not liable for damages or injuries.

Please attach a copy of the policy and verify that the rules are posted at each facility.

Maximum Credit: 1%

SECTION NINE
FIRE DEPARTMENTS/AMBULANCES/EMT
MAXIMUM CREDIT: 6%

The following prerequisites must be adopted in writing:

- ☐ 9.1 The county has stated in writing the operational authority of the fire departments/ambulance services/EMT operating under county jurisdiction, and has interlocal agreements or MOUs with other jurisdictions/agencies when the fire department/ambulance service/EMT is multi-jurisdictional. The agreement or MOU clearly states how liabilities will be apportioned among the jurisdictions/agencies.

Please attach a copy of the interlocal agreement(s) and/or MOU.

The following policies must be adopted in writing:

- ☐ 9.2 The county has adopted written policies and procedures establishing:
- a. What fire protection/ambulance/EMT services are provided;
 - b. What areas of the county will be serviced; and
 - c. The requirements for responding to fires and medical calls

Please attach a copy of the policies.

Maximum Credit: 1%

- ☐ 9.3 The county has a written policy that all apparatus/ambulance drivers maintain EVO certification with the Utah Fire and Rescue Academy. No other persons will be allowed to drive apparatus/ambulances.

Please attach a copy of the policy.

Maximum Credit: 3%

- ☐ 9.4 The county has a written policy that all fire fighters be at least wild land firefighter certified in areas where that certification is appropriate. All others will be fire fighter II certified.

Please attach a copy of the policy.

Maximum Credit: 1%

- ☐ 9.5 The county has a written policy stating that a vehicle maintenance schedule be developed for county insured fire fighting vehicles and ambulances and that written records will be maintained for each vehicle.

Please attach a copy of the policy.

Maximum Credit: 1%

**SECTION TEN
SPECIAL SERVICE DISTRICTS
MAXIMUM CREDIT: 8%**

- ☐ 10.1 The county has a comprehensive list of all special service districts in the county along with a list of all board members and officers for each district.

Please attach a copy of the list.

Maximum Credit: 3%

- ☐ 10.2 The county has required all special service districts to provide proof of insurance, and in cases where the county deems necessary, that the special service district has named the county as an additional insured.

Please attach a copy of the proofs of insurance from each special service district listed above.

Maximum Credit: 5%

SECTION ELEVEN
ADDITIONAL CREDIT FOR INSTALLATION OF SAFETY-RELATED
DEVICES AND PROGRAMS
MAXIMUM CREDIT: 3%



- 11.1 The county may qualify for an additional credit for the installation of safety-related devices or the participation in safety related training programs for employees. Please list the device or program below, along with the cost and description of the risk or exposure the device or program is aimed at reducing or eliminating.

Maximum Credit: 3%

Credit will be determined by UACIM staff based on the responses to this section.

**Utah Association Of Counties
Insurance Mutual**

**Analysis of Loss and LAE Reserves
as of December 31, 1999**



Taylor-Walker & Associates, Inc.
Actuarial Consulting Group

March 7, 2000

Mr. Brett B. Rich, J. D.
Director/Legal Counsel
Utah Association Of Counties Insurance Mutual
5397 South Vine Street
Salt Lake City, Utah 84107

Dear Brett:

We completed our analysis of loss and loss adjustment expense reserves for Utah Association Of Counties Insurance Mutual as of December 31, 1999. Enclosed is our report which contains our findings and detailed discussions of our analyses.

Our report provides the support underlying our reserve opinion which was issued in conjunction with the 1999 Annual Statement and may also serve as our formal presentation of findings to the Board. If you prefer that we make an oral presentation to the Board, we would be pleased to do so. According to annual statement instructions, this report should remain at the Company offices for a period of seven years for regulatory examination.

It has been a pleasure working with you on this project. We appreciate your assistance in providing the requested data and information. If we can be of further help, or if you have any questions or comments regarding our analysis, please contact us.

Sincerely,

TAYLOR-WALKER & ASSOCIATES, INC.

R. Glenn Taylor, ACAS, MAAA
President

RGT/ms

Enclosure

Utah Association Of Counties Insurance Mutual
Analysis of Loss and LAE Reserves
As of December 31, 1999

OVERVIEW

We were requested to perform an analysis of direct and net loss and loss adjustment expense (LAE) reserves for Utah Association Of Counties Insurance Mutual as of December 31, 1999. Our results and analyses are summarized and explained in this report. All reserve calculations are presented in the exhibits which accompany this report.

LIMITATIONS AND CONDITIONS

Our loss and LAE reserve estimates are based on generally accepted actuarial methods and include the use of actuarial assumptions and tests of the calculations as we considered necessary. Our estimates make no provision for the extraordinary future emergence of either new classes of losses or post-contractual expansions of policy coverage, nor for extraordinary development of reserves that may have been established specifically for these events. Due to the variability inherent in the estimation procedure, actual loss results may vary, perhaps substantially, from those indicated in our analysis.

We accepted, without audit, the paid and case reserve loss and LAE data provided by the Company. However, we reviewed these for reasonableness and consistency. We also reconciled these data, as necessary, to Schedule P - Part 1 of the 1999 Annual Statement.

SUMMARY

A comparison of our selected direct and net reserves with those carried by the Company is shown in the following table:

	Estimated Reserves	Carried Reserves
Net of Reinsurance Loss Reserves	\$ 2,179,123	\$ 2,179,123
Net of Reinsurance LAE Reserves	\$ 1,261,178	\$ 1,261,178
Total Net Reserves	\$ 3,440,301	\$ 3,440,301
Direct and Assumed Loss Reserves	\$ 2,370,000	\$ 2,370,000
Direct and Assumed LAE Reserves	\$ 1,264,000	\$ 1,264,000
Total Direct and Assumed Reserves	\$ 3,634,000	\$ 3,634,000

Taylor - Walker & Associates, Inc.

Based on this comparison, we find the Company's booked reserves to be reasonable. Summarized figures are also shown in Exhibit 1.

Additional summary comments are as follows:

- The Company books reserves which are gross of anticipated salvage and subrogation recoveries.
- The Company does not discount its loss and LAE reserves.
- Company management indicated that the Company did not have exposure to any voluntary or involuntary underwriting pools or associations.
- We reviewed potential exposure to asbestos or environmental claims with Company management. In our opinion, the Company does not have material exposure to asbestos or environmental claims.
- Our review of reinsurance did not result in any significant issues relating to the types of coverage nor to the collectibility of ceded amounts.
- Loss and loss adjustment expense reserves as shown in the Company's 1999 Annual Statement do not result in any exceptional values for NAIC IRIS Tests #9, #10, or #11.
- The Company does not write any policies for which the contract term is greater than or equal to thirteen months and for which the Company can neither cancel nor increase the premium during the policy or contract term.

BACKGROUND

The Company was formed by Utah counties through an interlocal agreement and began operations on January 1, 1992. The Company provides coverage for the lines of automobile liability, general liability (including law enforcement liability), public officials liability, and property. Coverage for all lines is provided on an occurrence basis with the exception of public officials liability which is provided on a claims-made basis. Policy limits are \$100 million and \$2 million per occurrence for property and liability, respectively. As of December 31, 1999, 24 of 29 Utah counties participate in the program.

The Company's exposure is limited to the following specific and aggregate retention amounts:

<u>Accident Year</u>	<u>Specific Limit Liability & Crime</u>	<u>Specific Limit Property</u>	<u>Aggregate Limit All Lines Combined</u>
1992	\$250,000	\$150,000	\$850,000
1993	\$250,000	\$150,000	\$1,100,000
1994	\$250,000	\$150,000	\$1,350,000
1995	\$250,000	\$150,000	\$2,350,000
1996	\$250,000	\$150,000	\$2,350,000
1997	\$250,000	\$150,000	\$1,475,000
1998	\$250,000	\$150,000	\$1,558,000
1999	\$250,000	\$150,000	\$1,530,000

For accident years 1992 through 1998, coverage in excess of the retention amounts is provided through an excess insurance policy. The Company assisted its insured member counties in obtaining this excess coverage. The excess policy includes as insureds the member counties as well as the Company. The Company acts as the administrator of the policy between the member counties and the excess carrier. In the event that the excess carrier is unable to pay claims, the responsibility for these amounts becomes the responsibility of the member counties and not the Company. Starting in 1999, the coverage in excess of the retention amounts is provided through a reinsurance arrangement.

For accident years 1992 through 1998, the retention amounts were for loss and allocated loss adjustment expenses (ALAE) combined. For accident year 1999, the liability specific retention amount was for loss and ALAE combined whereas for property coverages, the specific retention was for loss only. ALAE for property coverages are shared on a pro-rata basis with the reinsurer.

The total direct and net premiums earned during 1999 were approximately \$3.1 million and \$2.5 million, respectively. All policies have a common expiration date of December 31 of each year.

ANALYSIS

For our analysis, we grouped historical accident year claims experience into three groupings: property, auto liability, and general liability. Specifically, the property grouping includes claims for auto physical damage, fire building, fire contents, all risk building, all risk contents, crime, and inland marine. The auto liability grouping includes claims for auto bodily injury liability and auto property damage liability. Finally, the

general liability grouping includes claims for general liability-bodily injury, general liability-property damage, personal injury, law enforcement liability, public officials liability, and liability for civil rights violations. As appropriate, we incorporated industry occurrence development patterns for general liability into our analysis of general liability reserves. Since public officials liability was written on a claims-made basis, the method was theoretically conservative to the extent that we relied on the industry development patterns.

Data provided for our review were net of deductibles paid by member counties, and were gross of recovered and recoverable salvage and subrogation. Claims attributable to accident years 1992 through 1998 were capped at the specific retention amounts for both direct and net analyses. For accident year 1999, we conducted our analyses on a net of reinsurance basis and let ceded case reserves attributable to one large property claim represent the total ceded amount. We did not assume any ceded bulk and IBNR reserves applicable to the 1999 accident year. Therefore, direct reserves for accident year 1999 equal net reserves plus ceded case reserves.

In order to utilize historically consistent data in estimating LAE reserves, we utilized LAE data based on traditional definitions of ALAE and unallocated loss adjustment expenses (ULAE).

For our analysis of loss and ALAE reserves, we applied four actuarial methods to each data grouping. Specifically, we applied paid development, reported development, Bornhuetter-Ferguson paid, and Bornhuetter-Ferguson reported methods. The paid development method projected ultimate losses and ALAE based on historical payment patterns exhibited by the Company. Where appropriate, we supplemented Company patterns with industry patterns. The reported development method projected ultimate losses and ALAE based on historical development patterns of reported amounts. Reported amounts in our study were defined as the combination of loss payments, loss case reserves, and ALAE payments.

The Bornhuetter-Ferguson methods provide alternative estimates of ultimate losses and ALAE in situations where company data may be lacking in volume and history. Specifically, these methods utilize reported-to-date and paid-to-date losses and ALAE but base anticipated future development on expected amounts rather than on reported or paid amounts. Because of this, they tend to stabilize results in situations where paid and reported-to-date amounts are subject to considerable fluctuation. The product of estimated average losses per exposure and the number of exposures provided the initial expected losses and ALAE used in our analyses.

Based on the projections of these four methods, we selected ultimate losses and ALAE for each accident year. The results of all three data groupings were then combined and compared with aggregate limits applicable to each accident year. Final selected

ultimate losses and ALAE net of specific retentions were capped at the aggregate amounts.

Capped ultimate combined losses and ALAE were allocated to respective loss and ALAE components based on the observed historical relationships of paid ALAE to paid losses. Finally, paid losses and paid ALAE by accident year were subtracted, respectively, from ultimate losses and ultimate ALAE to arrive at loss reserves and ALAE reserves.

Reserve summaries are shown in Exhibit 1. Loss and ALAE reserve calculations for general liability, auto liability, and property are shown in Exhibits 2, 3, and 4, respectively.

We estimated ULAE reserves based on a review of historical paid ULAE amounts by calendar year, projected future ULAE paid amounts by calendar year, and the number of projected claims transactions. Specifically, the estimated future costs per claims transaction were applied to the estimated number of claims transactions for which the Company has responsibility as of year-end 1999. These amounts were totaled to arrive at ULAE reserves applicable to future claims administration activities applicable to claims incurred as of year-end 1999.

To this amount, we added the unpaid ULAE due as of December 31, 1999 for claims administration activities occurring during 1999. The total of these two amounts constituted the entire estimated ULAE liability as of December 31, 1999. ULAE reserve calculations are shown on Exhibit 5.

REINSURANCE

We reviewed the collectibility of ceded reinsurance amounts with Company management. Company management indicated that there have not been, nor are there anticipated to be, any difficulties in collecting ceded amounts. In addition, we reviewed A.M. Best ratings for reinsurers to whom the Company has ceded business. We did not note any significant issues as a result of our review. Finally, we reviewed Schedule F of the Company's 1999 Annual Statement for indications of regulatory action or reinsurance recoverable on paid losses over 90 days past due. Again, we did not note any significant issues.

According to Company personnel, the Company has not effected any retroactive reinsurance as defined in the annual statement instructions pertaining to actuarial opinions. Also, the Company has not effected any financial reinsurance for which credit is not allowed by the NAIC Accounting Practices and Procedures Manual.

NAIC IRIS RATIOS

We calculated NAIC IRIS ratios 9, 10, and 11. The results of our calculations produce ratios within the acceptable range of results. Our calculations are displayed in Appendix I.

SCHEDULE P RECONCILIATION

Appendix II shows our reconciliation of Schedule P data to reserving data. These data reconcile to our satisfaction.

CONCLUSION

This report constitutes the actuarial report required by the 1999 NAIC Annual Statement Instructions. In accordance with the annual statement instructions, this report is to remain at the Company offices for a period of seven years for regulatory examination.

Page 2 of 2

17

18

19

20